60 cents

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Mineral exploration boom as commodity prices soar

by Warren Berryman

Rising gold and silver prices and improving base metal prices have sparked a mineral exploration boom.

The level of exploration is approaching that of the 1967-8 boom.

Geologists say it would take but one small strike to really get things moving.

Gold is the primary target, especially alluvial gold in the West Coast and Otago.

High gold prices make economically viable previously sub-economic deposits.

Molydbinum and nickel prospects are also being looked at.

Also at least one explorer has drilled a porphyry copper target near Thames.

Amoco Minerals (NZ) Ltd, which is involved in a large-scale geophysical exploration survey, drilled four holes into a porphyry copper target near Thames.

Ore grades, as is usual with porphyry coppers, seem to have been relatively low and the ore body deep.

[illegible] is looking for [illegible] this [illegible]

Amoco plans to drill four gold silver prospects, this summer in the Coromandel area, two near Thames, one West of Whangamata and another on Great Barrier Island.

The company has two molybdinum targets West of Nelson which will soon be drilled.

And it has applied for prospecting licences in Otago – presumably to look for gold.

Others in the gold search include ICI, which will drill in Broken Hills near Thames.

Nelson-based Lime and Marble has a joint venture with the American copper mining compaoy Kennecott. This joint venture has a gold prospect near Te Puke.

Lime aod Marble has another joint venture gold prospect on the West Coast, but the comany is keeping quiet about its joint-venture partner.

It is understood the partner is an Australian Company.

AMAX and Mioeral Resources have been looking at alluviol gold prospects on the West Coast.

Otter Minerals, a subsidiary of the Australian exploration company, Otter Exploration, has exploration prospects in the Nelson area, working a joint venture with Gold Mines of New Zealand.

Exploration work is under way, to determine the potential of the area.

Observers say a number of overseas' companies have shown an interest in the area, specially in recent years, but have been discouraged by procedures for getting title to prospects.

They say most compaoies complain about a bureaucratic process, which can mean 18 months to three years before they can get on with the prospecting, and further delays before mioing can take place, assuming the area can be mined profitably.

Gold Mines of New Zealand has several exploration prospects around the country.

The list of companies and gold prospects adds up to wide interest and foreign capital joining in the Kiwi gold rush of 1979.

The search for more joint venture partners suggests a good year for the exploration industry.

The surge in exploration is bringing many New Zealand geologists back after a 10 year drought in local exploration.

The country is grossly under-explored using modern methods.

Overseas examples suggest that exploration breeds exploration. When one explorer abandons a prospect he leaves behind a repository of geophysical, geochemical, and geological information.

Usually there is a geologist ready and waiting to take this information, reinterpret it or apply a different geological model to the known data, and have a go for himself.

Some of the world's [illegible] mines recently discove[illegible] have been found in areas g[illegible] over with a fine tooth co[illegible] and abandoned by prev[illegible] explorers.

• See story — Pages 8

Car dealers out to combat fraud

by Rae Mozengarb

FRAUDULENT motor vehicle dealings are costing the motor industry a "staggering sum" according to the national president of the Motor Vehicle Dealers Institute, John Hawke.

In reponse to an increasing number of complaints, the institute has undertaken a survey of its 2600 members to determine the prevalence of undisclosed hire-purchase agreements, liens or bankloans.

The 800-odd replies received so fa[illegible] indicate at least $90,[illegible] is involved. The overall figure [illegible] run into many hundre[illegible] of thousands of dollars.

Once the survey reveals the extent of the loss to members, the institute intends – if it receives the co-operation of the Government – to set up a reliable system to halt the incidence of fraudulent dealings with vehicles.

"There is a system of sorts, but it's far from foolproof. People still defraud", said Hawke.

The industry needs some central index to record details of all motor vehicles handled on hire purchase or credit agreements.

These records would be available to all motor vehicle dealers and finance companies, and anyone else who might be requested to lend money on the security of a vehicle.

Such an arrangement is run successfully in England by Hire Purchase Information Limited.

"HPI is a system which could be on improvement", said Hawke.

But whatever system is set up would need the backing of legislation – "to give it the teeth it needs".

The fraud is carried out in a number of ways.

Stolen vehicles are easily disposed of under the existing system. A bona fide buyer might find he has to hand the vehicle back to its original owner.

There is the problem of people failing to disclose that a company has a financial ioterest in the vehicle. A duplicate set of registration papers can be obtained through the Post Office, but there may be no record of that interest.

A personal loan cao be raised on the security of the vehicle without the lender knowing if money is already owing on it.

"Some finaocial institutions woo't insist on holding the registration papers; aome appear not to worry about them; people tend to regard them as ownership papers when in fact they are just a certificate of a transaction", said Hawke.

The Post Office earriea out some standard checks before it issues a duplicate set of papers, but if the finance company's interest is not recorded on the "history file", that company will not be made aware of any dealings by the debtor with the vehicle.

A spokesman for a large Wellington financial institution confirmed fraud waa on the increase.

Motor vehicles were a problem because registration papers were not ownership papers; "they were not like a certificate of title over land," he said.

A further problem was created because finaoce companies had no right to insiat they hold the registratioo papers, he said. (Although Hawke was not so sure this was so).

The company spokesman pointed to the ease with which someone could obtain a duplicate set of papers, simply by filling out an MR 7 form.

The way is wide open to what he termed "double financing".

X buys a car from a motor vehicle dealer. He pays 60 per cent of the purchase price aod obtains the rest uoder a hire purchase agreement over 18 months.

If the finance company does not get the papers, X can raise finance six months later by way of an instrument by way of security, through another financial institutioo.

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Inside:

Registered at Post Office Headquarters as a newspaper

Incorporating Admark

How to change deputies without really trying

by Colin James

"BOB Tizard has been a great help to me. He has given me a fatherly political shoulder to lean on. But in these things there is no room for sentiment".

So said one of the younger Labour MPs the day after his vote for David Lange had helped consign Tizard to the political scrapheap. It was a matter-of-fact reminder of the harshness of politics.

Yet this changeover resembles less the sophistication of hardened plotters than disorganised amateurism. How else do you manage a near-miss with a near-certainty?

The problem lay in the timing. The triennial leadership elections were set down under the (1977-revised) parliamentary Labour Party rules for February.

A minority — in effect, the principal anti-Tizard MPs — wanted it brought forward but were initially outflanked by Bill Rowling in September.

Rowling reckoned without powerful support for the dissidents in the party organisation. There were rumblings at the party's council meeting in September, particularly among union representatives, and impatience in high places in the executive with the paralysis that seemed to have gripped the MPs.

President Jim Anderton told MPs at their October 18 weekly caucus meeting that they should resolve the leadership issue as soon as possible.

Rowling that day showed no sign of responding, but, while the anti-Tizard heavies held back, guileless young Hastings MP, David Butcher, who had not been involved in any plotting, refused to let it go.

He tried to have the matter dealt with on the spot, but was told to bring a notice of motion down the following week, which he did. It proposed that the leadership election be held on November 1.

The argument that clinched the vote that day, particularly among those in marginal seats, was that the immobility in the parliamentary party was limiting chances of stemming the Social Credit wave, now threatening to turn Labour into an urban and South Island party.

Much has been made by Labour MPs of the news media's failure to pick up what was going on. The simple explanation was that the journalists had accepted, as, it seems, had most of the MPs themselves, that the vote was not coming till February.

The dissidents who wanted it brought forward were hampered in doing so by the fear that their objective — the dislodgement of Tizard — would be undermined by suspicions about their motives.

Though they claim they would eventually have done so, they were grateful that the untainted Butcher did it for them.

But Butcher's move caught them unprepared. The heads had not been counted, the majorities not secured. Instead of having the summer to do it, they suddenly had only two weeks.

Those two weeks became a vortex of skin-saving, ambition and jealousy. It very quickly dawned on those with promotion hopes that it was now or not-for-a-long-time. It also dawned on older members that if Butcher's inevitably destabilising motion passed, their own futures became less secure.

One-time Tizard rival Arthur Faulkner put his toe in the water, found it ice cold and turned Tizard voter. Mike Moore agonised before joining the Lange camp.

Chief Whip Russell Marshall, the coolest strategic head in the senior ranks and the most logical number 2 to a charismatic leader, assembled enough support — including that of the toughest of the new MPs, Ann Hercus — to stay in the race until Wednesday evening.

But when it became clear he could not be sure of second place in the first ballot he withdrew and put his weight actively behind Lange — an influential and, as it turned out, critical move.

Ironically, Marshall and his ring-second, Kerry Burke, had organised the "liberal" campaign to put Tizard into the deputy leadership ahead of Faulkner in 1974. It was a measure of how things have changed that the conservatives, many of whom have no cause to love Tizard, voted for him this time.

Yet, curiously, some of those very people would have supported Lange had he stood against Rowling. Gerry Wall is said to have urged such a course. Others had long memories for past slights. There have been mutterings in some quarters about Rowling's performance.

But there was never any real likelihood that Rowling would be challenged, even though the end result has been that the charismatic figurehead is deputy to the unspectacular administrator. Even ardent Lange supporters could not contemplate an untried man in the top spot.

It was Tizard, the failed crowd-puller, the unpopular parliamentarian, whose head was on the block — and had been since April last year.

At that time a group of Auckland MPs, led by Roger Douglas and Richard Prebble and including Frank Rogers and Jonathan Hunt and resting-between-engagements Michael Bassett, came close to forcing the deputy leadership issue.

But they retreated when conservatives Mick Connelly and Wall revived leadership hopes in Faulkner. Though the conspirators, who were pushing Lange, were sure Tizard would be beaten on a confidence vote, they feared a Faulkner victory.

Indicatively of the disorganised state of the leadership plotting this time, the April conspirators split their vote. Prebble and Rogers, for different reasons, voted for Tizard. Douglas, suppressing his own hopes of promotion nominated, and the others voted for, Lange.

Thus Tizard went — but only by two votes, a far narrower margin than anyone in the Lange camp dreamed. If Joe Walding and Brown Rewite, both sick, had been present Tizard would probably have survived.

Partly the narrowness reflects the self-interested nature of much of the voting.

Partly it represents a belief by some people who would have voted for Lange in February (for example, Rogers) that bringing the vote forward was "unconstitutional", a view shared by some party activists outside the House who fear they are being railroaded.

The voting was largely along change/no change lines, only about three MPs who supported changing the rules backing Tizard (among them, I understand, Rowling who is said to have recognised the disruptive potential, once Butcher's motion was down, of further delay).

Partly the narrow vote also reflects doubts about Lange.

These centre on his untested administrative and strategic ability, his staying power, the depth of his commitment and his failure as a social welfare spokesman, a job he did not want and has not exploited.

There are doubts in some quarters about his policy stance — he is regarded as a moral and social conservative rather than a progressive — and his ability to grasp the significance of economic issues.

The fact that there are such doubts is not conclusive that they are warranted. Rather, they reflect the fact that Lange, only two and a [illegible] years an MP, is largely [illegible] unknown quantity.

The only thing known [illegible] relative certainty about him [illegible] his crowd-pleasing qualities [illegible] appeals to people. He [illegible] well in the polls.

The party — to put it in television terms — badly [illegible] a presenter, a frontman. It believed that he will do it with vote-pulling skill.

His big warm-hearted [illegible] sitive personality will [illegible] contrast sharply with the [illegible] row, counter-punching [illegible] tive personality of National's frontman, the Prime Minister.

Within the past few weeks there has been a partial [illegible] kindling of irritation on the backbenches with the Prime Minister's style.

But whether the Lange evaluation will intensify that is not clear. In the close-quarters political combat Lange is not "hard", not a telling [illegible] twister. The Prime Minister's past reactions suggest he fears Marshall more than Lange.

There is another question over Lange. Will the public judge him by different criteria as deputy leader than as backbencher?

As one MP who backed Lange after a long and soul-searching put it to [illegible] Lange will be as much [illegible] in 1981 as Rowling. Defeat [illegible] 1981 will by no means [illegible] him of the leadership.

But the immediate importance of Lange's election [illegible] that it has freed a logjam [illegible] a message to Rowling [illegible] remove some older MPs.

He has also been given [illegible] mechanism — an instruction [illegible] form a shadow cabinet in place of the informal spokesmanship system. This is less important than some have billed it, in that the leader has always had freedom in the appointment of spokesmen but it is likely to focus attention more on leading [illegible] than the existing arrangement.

For that reason it leaves Rowling less flexibility and [illegible] decisions on the lineup to be announced in December therefore assume more than [illegible] interest.

How fare will the knife [illegible] Some Lange backers want the heads of at least of Faulkner, Connelly, Ron Bailey and [illegible] Fraser. They want to see second-termers like Moore, Burke, Frank O'Flynn and Bassett moved up, with enough flexibility being retained, perhaps by keeping the numbers down to 14 or so initially, to bring in promising first-termers in a year's time.

What to do with Tizard [illegible] economics will be at the heart of Rowling's portfolio allocation problems.

One MP, pondering Rowling's comment about the line of succession having now been established, mused last week that Rowling himself might choose to go before the election, ushering in a Lange-Marshall axis.

I cannot see Rowling giving up the prize of power and the chance to eradicate the ignominy of 1975.

But, caught between the pincers of Anderton's vigorous (if toe-treading) presidency and a popular deputy backed by a thrusting back bench, there will be times in the next two years when the thought may be tempting.

Joint venture squid fleet in danger of running aground

by John Draper

PRIMARY INDUSTRY

THE joint venture squid jigging fleet may be sailing into stormy waters this season after talks with the Japanese Government ran aground.

Only pressure from the Japanese partners in the joint ventures on their own Government can save this year's catch from import quotas and a 10 per cent tariff.

Japanese protests that licence fees were too high and quotas too low, were rejected by the New Zealand negotiators.

And the no compromise stance failed to win any concessions over import licences or tariffs.

Japanese companies are now lobbying on behalf of their New Zealand partners to get the restrictions eased.

Last season's results, the first for the joint-venture squid jigging fleet were disappointing.

The season was poor. Only 7383 tonnes were caught, realising $11,528,000. But the net foreign exchange earnings benefitting New Zealand were only $3,130,000, 27 per cent.

Most was for fuel, freight, providoring, servicing and administration costs, much of what would have been spent in New Zealand, anyway by the boats if they were operating on foreign licences.

The balance was not "net foreign exchange" earnings in the true sense. Oil and freight costs are a drain on overseas funds.

Joint venture vessel catches were also lower at 125 tonnes, while licenced Japanese boats hauled in 161 tonnes each.

The Ministry of Agriculture and Fisheries attributes the differences to the Japanese licenced boats being more modern.

Information also indicates that experienced fishermen shunned the joint venture boats which were forced to sail with crews that had little or no knowledge of New Zealand waters.

Too much plankton obscuring the powerful lights used to attract squid to the surface is one possible reason for the disappointing season. Fishermen claim the squid were there as evidenced by the large catches by Russian trawlers and the West German Wesermunde late in the season.

In the marketplace the joint venture squid had to combat discrimination, though local industry sources doubt if it was deliberate on the part of the Japanese.

Much of the catch was stored in bonded warehouses for a month or two while the two Governments negotiated an import quota. In June, a 5000 tonne quota was eventually agreed.

But as the joint venture squid was released for auction, after paying a 10 per cent levy, most of the Japanese catch arrived and prices consequently dropped.

Some joint ventures that did get their catch to market early, and were prepared to buy import quotas to do so, did get better prices.

Import quotas in Japan are handed out as a golden handshake to certain officials who then sell to importers.

On average the joint venture catch sold at $50 a tonne less than the Japanese caught squid.

But the New Zealand companies claim their costs are up to $200 a tonne more than the licenced fleet.

The joint venture catch is landed in New Zealand, processed, packaged and then freighted to Japan on conventional vessels — costs the licenced fleet does not normally incur.

The Japanese also take advantage of duty free processing facilities in Taiwan and Korea where labour costs are a fraction of New Zealand rates.

Some sections of the industry are already claiming that the poor first season was the best that could have happened.

The snags have been laid bare and now there is a good case for the Government reviewing the structure of joint venture deals.

Japan is only tolerating the joint venture deals to get into the New Zealand 320 kilometre economic zone and is not going out of its way to make life easy for them.

It claims the tariffs and quotas it is applying to "Produce of New Zealand" are required by the Gatt multi lateral trade negotiations.

To ease them for New Zealand would mean doing the same for lower cost countries such as Korea and Taiwan which would pose a greater threat to the local industry.

The Japanese government is also keen to protect its own fishermen and does not want large quantities of foreign caught squid arriving on the market disrupting prices.

Licenced fishing in New Zealand waters is preferred. It gives work to Japanese fishermen, it earns the profits for Japanese companies, and the Japanese Government's approach has been to maximise both aims.

But the New Zealand Government, is with the support in principle of the local industry, insisting on a greater share of the catch. The number of licences for Japanese squid jigging vessels was cut from 113 to 98 for the coming season and fees increased.

Japanese boats will now pay a basic $14,250 plus $95 a tonne, $15 more than last season.

By encouraging joint ventures the Government wanted to give the fishing industry a rapid injection of expertise and capital to quickly exploit for the national benefit the riches of the offshore economic zone.

If the zone cannot be exploited locally other nations are allowed to do so up to the 20 kilometre territorial limit, by international convention.

Few New Zealand fishermen are being trained on foreign boats. Those that are usually get off after the first trip unable to work with the foreign crews and no longer prepared to tolerate the cramped living conditions.

Survey requirements are another point of concern. Joint Venture boats must comply with New Zealand Marine Department regulations and those regulations applied by other Government agencies particularly the post office with regard to radio equipment.

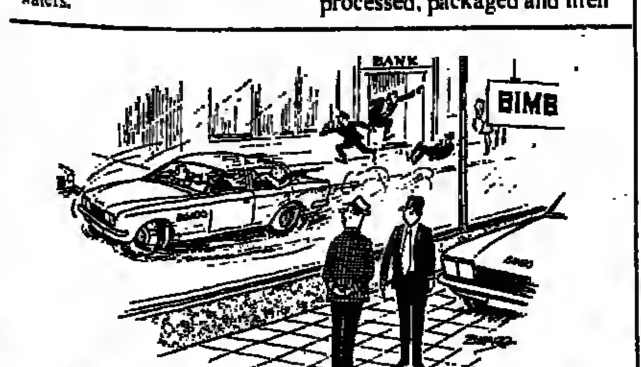
Boats used by joint ventures are built, so the local industry claims, to specifications of nations that have much more experience in deep water fishing than has New Zealand and therefore their standards should be acceptable.

Hygiene standards are another beef. The industry claims there is little point in applying United States meat hygiene standards to squid that is going to Japan or Russia.

Despite the setbacks and disadvantages of higher costs and standards, several companies are catching satisfactory returns for a first season.

Those that had a low break even point, no matter what the fine detail of their agreement fared best last season to encourage 20 further applications taking the total to 32 covering 167 squid jigging boats.

Meanwhile the Fishing Industry Board is finalising arrangements for the visit of a high ranking Japanese delegation representing many of the company's involved to discuss the problems of joint ventures and the possible establishment of a New Zealand-Japanese fishing council.



"The acceleration's good, I admit, but I'm a bit doubtful about her road holding when she corners at speed."

EDITORIAL

A ROSE by any other name smelled just as sweet — but only until the Human Rights Commission became instrumental in ocuiering the English language.

Girlpower Ltd is the latest victim of the commission's eageroess to uphold fuudamental democratic values. It bas chaaged its name to Career Centre Ltd. But the change is purely cosmetic — the company will continue to give the same services, providing temporary staff, bath male and female, to commerce.

Thus the decision to make its name agreeable to the commission effectively is a surrender to state servants whose noble objective — the advaocemeot of buman rights — has degenerated to a pitiful preoccupation with trivia.

The company bas been coocerned about its right to keep its name for 12 months; the exchange of correspondence obviously has been costly in terms nf time and money.

There are more costs to come — nt least for the compnny. It must spend several thousand dollars reprinting stationery, brochures and calenders, replacing neon signs, writing to clients telling them of the change, discarding old stationary and promotional material, and generally trying to re-establish an identity and goodwill. After all, it had been in business as Girlpower Ltd fur 13 years, and had set up live brunches in Auckland.

Chief Human Rights Commissioner Pat Downey apparently is sensitive to the spotlight brought upon his agency, aed bes beeo anxious to make clear the commission did not compell the company to change its name; rather, it had decided it could "oot approve of the continued use of the name Girlpower". That indication of the commission's attitude had been followed up nine months later by a letter which drew attention to "the risk" that the company's name might invite a complaint under the huoian rights legislation and cautioned against "the time and effort of responding to an investigation."

The speying of Girlpower nevertheless leaves room for wondering just how many other companies have been brought tu the commissiun's attention, and just huw much time and effort is spent in dealing with petty points of appearance, rather than with the substantive issues af human rights.

This is the same cummissioo, of course, that advised a staunchly Christian businessman that he was in breach of the act by stipulating that he preferred to employ a Christinn in an enterprise which stops each dny for a brief prayer meeting. But the commissiun has approved the advertising for and employment nf Muslim slaughtermen by freezing cumpnnies (and can spell out the relerant sections of the law to show a hairsplitting capacity fnr distinguishing between the twu cases).

The Human Rights Cummission was estahlished, among other things, tn promote respect for human rights. But some of its activities — at least, those that have come to public light — suggest it is mure likely to bring contempt on itself.

The human rights legislation is also aimed to outlaw discrimination and to promote the advancement of human rights in general accordance with the principles nf the United Nations International corenants on human rights. There could be no loftier objective, in a world whose humanity is besmirched hy the genocide of Indochina, the mass executions of Iran, the apartheid of Sauth Africa, the political intolerance nf the Soviet Union.

Against this, the downfall of Girlpower must be seen as a victory for petty bureaucrats rather than a triumph for human rights.

Bob Edlin

SAUDI Arabia's Prince Nawaf Bin Abdul Aziz spent two hours over supper at Auckland's Club Mirage during his recent "secret" visit — and spent $400, mostly on champagne.

Club owner Lynette Cowley was expecting a visit from the Prince and "acquired" a red carpet for the occasion.

"That was de riquer" she said.

"He came down with two friends and bought the best champagne we hnd, Bollinger RD" Cowley said. She was also invited to join the Prince for a few drinks.

Happiest man in the club that night though was Maitre d'hotel, Jean-Claude Rapon — his tip totalled $150.

And the Prince ensured that staff at the Travelodge hotel where he was staying in Auckland were well catered for.

Just before he departed from the hotel to begin his New Zealand trip in earnest, he left what's believed to be the biggest tip received in the hotel — $500 to be divvied

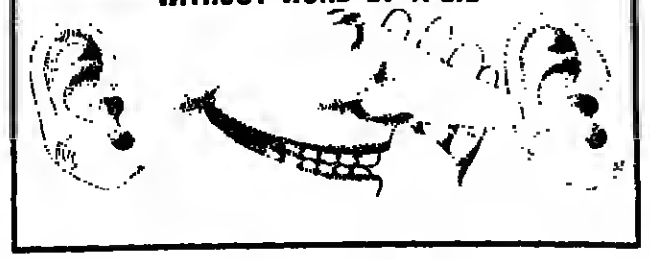
•

IN its rush to legislate against the possible introduction of trading stamps into New Zealand, the Parliamentary promulgators of the Commerce Amendment Bill number two just about threw out the baby with the bath water – and would have, had it not been for the sole vigelence of an Aucklund adman, Noel Rugg.

Rugg, of WHT Advertising, Tonini-Promotions (NZ) Ltd, and president of the Advertising Institute, noticed that in its zeal to bar trading stamps the bill unintentionally outlawed the vast preponderunce of all trading coupons.

The bill narrowed the definition of a trading coupon and said any discount voucher must be redeemed by its issuer (the manufacturer) and not the retailer, as is common practice.

WITHOUT WORD OF A LIE



MOSLEMS entering this country to act as slaughtermen for the lucrative Iran trade apparently were given a three-day "orientation course".

There has heen considerable dehate ahout the direction of Mecca from a New Zealand standpoint. The consensus now seems to be for somewhere around north west — but surely it shouldn't take a freezing works three days to orient its Moslems.

All the messing ahout with specially constructed Mecca-indicating compasses reminds us of the story of the surveyor, the physicist and the journalist.

They had a small bet on the height of a church tower.

The surveyor did a careful triangulation and the physicist took his sensitive barometer to the top of the tower to measure the decrease in air pressure.

Both came up with readings which turned out to he slightly wide of the mark.

The journalist was spot on.

His measurement technique& He went and asked the vicar.

So why the need to pore over compasses and maps? Among our rich, diverse and rapidly decreasing population there must surely at least he one devout Moslem, who already knows which way Mecca is.

•

THREE years ago, the New Zealand Law Society pitched some advice at the public in an information pamphlet entitled "Lending and Borrowing Money on Mortgage."

Simply, it was aimed at explaining how solicitors could advise on lending or borrowing mortgage money, how solicitors nominees companies worked, and so on.

The cover showed two men negotiating what presumably was a mortgage deal. And in the background was a Johnsonville property development.

Just how apt was that property development has become apparent to those who have heen watching certain legal proceedings in Wellington Supreme Court.

The property was one of those developed hy the Universal Management Group. And Universal Management's mortgaging techniques were at the crux of the legal proceedings involving some of the company's principals.

•

THE Auckland Star's special drug investigation team revealed last week that the Milltone group of companies was set up hy Christopher Martin Johnstone — also known as "Mr Asia."

The group included Milltone Charters Ltd, Milltone Glass Tintings Ltd and Milltone Holdings Ltd.

Johnstone —whose naked, mutilated body was found shot, stabbed and with hands hacked off in a Lancashire quarry pool — was a director of each of the companies, which were established to hide his drug operations, according to the Star's account.

One of them — Milltone Glass Tintings — was financed with a debenture dated 28.1.76 from the Bank of New Zealand, according to Company Office files.

The other two are ... having their registered ... at Kendon, Mills, ... and Brown — the ... Auckland accountancy ...

•

THE recent acci... involving a packed ... train at Wellington ... station will be the ... an inquiry - but not ... one. The inquiry ... handled by the depa... whose own activities ... subject of the probe ... well, the Govern... experience was that ... inquiries took much ... Railway Minister ... McLachlan told Par... last week.

The gist of his ... was that a depart... inquiry would clean ... much more quickly ... of those public ... suggesting, of course, ... and his department ... interested in expedi... effectiveness.

A public inquiry ... ensure the inquiry ... undertaken must ... thoroughly is the ... rejoinder . . .

•

HIS arrival is inevitable ...

After quickly ... reluctant payers ... Britain, Mr Smelly and ... smelling tramps are ... work down under.

The prospect for ... ing debtors is distinctly ... searing.

A smelly is likely to ... his office reeking of ... pungent smells and ... leave until the ... money is handed over.

The organisation ... began originally by ... ing real tramps, claim... success rate.

Australian firms ... having problems with ... debts can now rent ... can firms in Hong K... Taipei and Manilla.

The only question ... answered now is will ... agricultural officers ... in?

BROCKIE'S VIEW

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Challenge finance house takeover holds DK bonus

by Peter V. O'Brien

CHALLENGE Corporation will gain more than a large finance company if the proposed merger with Broadlands Dominion Group is finalised.

Broadlands owns 30 per cent of the Wellington based machinery and truck dealer, Dalhoff and King.

The latter company has agencies for Volvo and Kenworth trucks, both considered high class products in the freight industry.

D & K recently acquired an agency for John Deere, the U.S. tractor and farm equipment company and has other important agricultural franchises.

Challenge's association with the Wellington company will benefit hoth groups. It will give the country's largest stock and station group an additional product range in the rural sector, to offset Dalgety's C B. Norwood subsidiary.

C B Norwood has the Massey Ferguson agency in New Zealand. The company needed reorganisation over the last year.

Challenge will also have a relationship with D & K's aircraft agencies for Cessna aeroplanes and Hughes helicopters. Light aircraft and helicopters are useful adjuncts to a rural based operation, particularly the former which are the mainstay of the aerial topdressing industry.

Challenge's 30 per cent holding could also benefit D and K, because the machinery company's business makes heavy seasonal demands on liquidity. An association with the country's second largest company might ease the problem.

There are other benefits in the merger. Challenge has an Australian subsidiary, but the purchase of Broadlands will give the pastoral based group an entry to the fiercely competitive Australian finance industry, because Broadlands runs a finance company in Perth.

Broadlands property business has heen difficult for some time, in line with the general market decline. Transfer of the land holdings to Challenge, prohahly through Challenge Properties Ltd, is likely to strengthen hoth sides, although that is a longer term consideration.

Challenge's captial reserves are running down. Chairman Ron Trotter told this year's annual meeting that it might be hard to maintain the flow of funds from asset realisation.

Broadlands is a property dealer, but some of the land holdings may be available for capital, rather than revenue, gain in Challenge's hands.

Observers will be interested in the questions of credit cards and staffing.

The merged group would have the New Zealand franchises for Diners Club and American Express cards.

Both card companies are based in the US and currently engaged in a tough international marketing battle to boost membership.

Their activities in New Zealand will come under increasing pressure form the spread of bank cards, although Diners and Amex have particular attraction for people travelling overseas.

It is hard to believe that the US groups will be happy with one company having the franchise for two directly competitive cards.

The staff question has to be considered in the light of Broadlands recent administrative decisions.

The company has closed its Hamilton regional office and relocated the personnel in money shops. Industry sources think the effects of high overheads in a regional administration probably influenced that decision.

There will be increased opportunity for line staff in a bigger group, but something may have to be done to reorganise the executive structure.

The problem of one head office as opposed to two is an old issue when companies merge. It can he overcome with reorganisation of the corporate chain.

Wine industry uncorks arguments

by Rae Mazengarb

THE New Zealand wine industry will call for greater protection against imported wines, and numerous fiscal measures, tax advantages and incentives to subsidise its development at this week's public inquiry into the industry.

The Australian producers, on the other hand, who provide a large percentage of New Zealand's imported still table wines, will he arguing for less restrictive measures in order not to be cut out of the New Zealand market.

Wholesalers are likely to take a middle line, some protection tempered with the attitude that the industry must have enough competition to keep up its standard.

On the marketing side, retailers will argue that the present distribution system creates severe distortions in the market. They will call for the provision of off-sale licences available to groceries, supermarkets and potentially department stores.

The terms of reference for this week's inquiry will revolve around a recent Wine Institute study which pressed Government for greater protection against imported wines. The institute called for measures aimed principally at the Australian producers.

First up to tender evidence will be the Wine Institute, followed by the Australian Wine Board representing the Australian producers. Other groups represented at the hearing will he the NZ Grape Growers Council, Harker Wines, Big Apple Products Limited, the Wholesale Wine and Spirit Merchants, Brewers' Association, and the Retailers' Federation. Several wine buffs will also present their point of view.

In support of its original study, the Wine Institute will present 65 pages of submissions covering declining rate of growth in table wines, land requirements, disincentives to future growth, tariffs, import licencing, imports, exports, research and legislation.

The study requested more protectionist measures aimed mainly at Australian wine producers, justified by a price-differential which has narrowed markedly over the past four years.

The institute wants these past price-differentials re-established by increased tariff protection.

In return for this and other protective measures, it has promised a high saving in foreign exchange and an increase in wine exports to $5 million a year by 1986.

The study did not specify how New Zealand wine could compete on the international market, when it is already finding difficulty competing domestically.

The Australian wines – in spite of added freight costs, high wage rates, import licensing and duties – are already seen as dangerously competitive to the local industry.

The institute views the study as an "apraisal of how stated objectives can he achieved with appropriate Government assistance."

The institute submits the proportion of land heing used by "free" or non-winemaker growers to provide the grapes needed hy the wine industry has almost doubled since 1975.

"It is no comfort to wine makers that they are so heavily dependent ong rapes from other sources, the prices of which could add 12-15 per cent to the private trade price (PTP) of a wine."

As one solution the institute calls for a "realistic assessment of grape pricing methods by, or for, grape growers", and it points the over-capitalisation of growers in the Gisborne area.

The study clarified many areas where action was required but the institute calls for immediate and urgent attention in several areas "beyond the capacity of the industry".

For instance, a change in the basis of the sales tax from the present 20 per cent of hotel selling price to a specific volume rate per litre (25 cents); immediate updating of the tariff; a long list of special tax incentives, depreciation allowances; fiscal measures in the winemaking area; cash grants, increased tax deductibility and research in the viticultural area.

The Australians will oppose anything which threatens to shut them out of the New Zealand market and will argue against restrictive tariffs and for easier access.

The Wholesale Wine and Spirit Merchants appreciate the local industry needs a degree of protection but will oppose any move to restrict healthy competition from good quality overseas wines.

They will probably call for the exemption from import licences of some of the higher-priced overseas wines which will not be such a direct threat to the industry.

The Wine and Food Society and the Retailers' Federation will be among proponents for a change in the present outdated, restrictive and in some areas monopolistic distribution system.

On protection, the Wine and Food Society says: "As the industry grows, it is more essential than ever to make a reasonable quantity of imported wine available to wine makers and consumers. We are opposed to any measures decreasing the present import volume."

Imported wines can show winemakers "what they should be aiming for." The society also supports proposals for freeing from licence of higher priced imports, the quantity of which would he controlled by the cost to the consumer.

Ready or not Lange dives in deep end

by Colin James

THE first thing that needs to be said about David Lange is that he is not Norman Kirk.

He is big and bulky – fat, to be precise. So was Kirk.

He is penetratingly intelligent. So was Kirk.

He identifies principally, perhaps exclusively, with the small people, the poor and the dispossessed. So did Kirk.

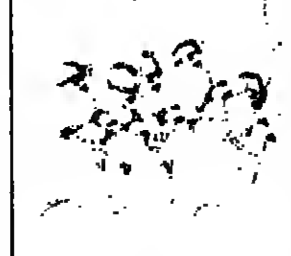
He has a commanding public presence. So did Kirk. He offers a message of hope and dignity and compassion as did Kirk.

But he is not Kirk, at least not the Kirk of 1972 – the politically tough, ruthless bully-boy, paralysingly suspicious and disarmingly generous by turns.

Lange has a lot of politics to get through yet before he will fine Kirk's battle-hardened armour-plating (if ever he does).

Sceptics say he has not shown much sign of development since his first star-spangled days in the House 2½ years ago. They question whether in fact he will grow into the deputy leader's job.

Yet, if ambition is a guide to



PROFILE

political steel, Lange is not short of it.

He is not struck dumb with false modesty, nor even tongue-tied with the ordinary sort of modesty.

He let the conspirators of April, 1978, put his name up for deputy leader after only a year as an MP. He has made no secret since of his desire to be leader. When the crunch came in the past few weeks, he ran hard.

And on television the night he won, he announced with breathtaking audacity that he would take over his leader's peripatetic, morale-boosting, vote-gathering role. "Move over, Bill, I've arrived," it sounded like.

In one sense, Rowling is likely to move over. Even as a backbencher, Lange has scored well in public opinion polls. From now on, if past form is a guide, he is likely to become embarrassingly more poll-popular than his superior.

This is not because he is the creation and darling of the news media, as some people think.

It is because he radiates cherubic, cheerful charm, an enveloping goodwill, a gentle generosity of spirit. He is a magnetic blob of human warmth, a hugely nice guy in a tough and dirty business.

Whether he is on the platform, behind a television camera or in a small group his humanity reaches directly to the viewer.

Viewer, rather than listener. If you examine his lofty speeches closely, the noble phrases decay into sugary wisps, rather like a bite into candy floss.

He is not committing words to his audience, nor specific ideas. He is communicating hope, justice, concern for the underdog. Audiences are reassured, encouraged by an apparently transparent decency.

The sympathy for the underdog is not manufactured, as it is with some Labour politicians. Nor does it spring from resentment at the system that makes the underdogs. Nor is it condescending middle class do-gooding.

It is, if anything, an inheritance from his father, a doctor in working-class Otahuhu, a central and generous figure in the community.

The eldest of four children, David (now 37) remembers a "well-off, but not rich" childhood, punctuated by too few holidays because "we were always waiting for St Mary's to ring up with another child" (baby for delivery).

But, he adds defensively when the subject of his unhealthy bulk crops up in conversation, he had a normally active outdoor childhood, the open country of present day Otara being nearby.

He adds that as a young man he spent four seasons as a chamberhand in freezing works. He admits to two kidney stones and successful attempts earlier this year to reduce his waistline, but claims to be otherwise healthy (so did Kirk).

Like his father a practising Methodist, though of a somewhat more liberal variety, Lange has often been identified with a "churchy", self-sacrificing life.

In England in the late 1960s, for example, he worked with the West London Mission. As a lawyer in Auckland in the mid-1970s he took up many hopeless cases, pleading mitigation, and was not known for following up his bills zealously.

But not for the good of his soul.

"People tend to think of that sort of work as somehow requiring some particular zeal," he says.

"In fact, it's very much easier for me to work in that area than with more sophisticated people.

"There is no element of sacrifice in that at all, because I always had the capacity if I chose to either lean on those people I knew would support me or to go and do something else."

He is, as he puts it, "a Farmers man rather than a Smith and Caughey man" (a reference to two Auckland department stores).

But not in an intellectual sense. Lange has a very good mind – first class master of laws honours in jurisprudence. He ranks among the half-dozen sharpest brains in politics.

Opponents and colleagues attest to his phenomenal uptake. Lawyers recall his ability to master a complex brief or report with astonishing rapidity.

MPs admire that same ability in select committee. At times he has made brilliant impromptu interventions in

DAVID LANGE . . . radiates cherubic, cheerful charm

parliamentary debates.

But this very ability, the fact the he does not have to do the laborious graft others must to cover the same ground, has raised doubts about his stickability.

Critics point to his failure to exploit the social welfare spokesmanship he was given against his will this year.

Doubts have also been raised about his organisational ability, his ability to handle his political work load.

Friends reject the doubts. One senior MP who did not vote for him for deputy leader says Lange has always given him the impression that he prepares his ground thoroughly before speaking.

Others say he has appeared disorganised at times because he has taken on too much, but that he gets through the workload.

As deputy the doubts will be quickly put to the test, either to be dispelled or proved.

He will be tested, too, as an administrator, often obliged to administer unpopularity. In those respects he is an unknown quantity.

Lange is also an unknown quantity in the "harder" areas of politics — those related to economics.

This he acknowledges himself (see panel).

"I really have to be better grounded in those areas of life which have to do with the generation of wealth and the distribution of it," he says.

Not that he is likely to be carried away by the intricacies of Phillips curves and monetary theory.

Despite his brain, he is not an intellectual of the academic ivory tower sort.

To him, power is not to be sought through high-flown intellectual debate.

It is to be found in the effect of the decisions of the day-to-day and bureaucrat at all levels on *the people who are "like a cork in the wash of life" – the small people who have no prospect of rising above the powerlessness of low incomes.*

Lange's Labour Party is the instinctive helping hand of the 1930s rather than the hammer of the bourgeoise. It owes little to theories of ownership and production and much to the heart.

He is not in Parliament in pursuit of some neatly symmetrical abstract ideal, but because, as he puts it, he was "frustrated at seeing the outcome of inept social policies" and "had the conviction that in Parliament I could get things done".

"I REGARD that period of popularity (in 1977 and 1978) as personally unfortunate, at the same time acknowledging that for my part it was important.

"Certainly the party used me and I am not unhappy that they did.

"At the same time, my conviction is that I've really got to be subjected to a bit more testing than has been granted to me so far before I assume that sort of leadership role or even remotely aspire to it".

So said David Lange – father of three, married to Naomi, an Englishwoman – in an interview in June this year.

He needed, he said, to have been around more – "a matter of experience and of knowing more about issues I don't know a thing about now".

Four months later he not only aspired to the deputy leadership but stepped into it. The party could not wait for him to get the experience and neither, it seems, could he.

Boeing hops on the bus

by John Draper

BOEING has discovered the airbus, note with a small "a" not "A" as in the successful high flying European Airbus.

The admission comes in the latest blurb from the giant aircraft makers public relations office in Seattle telling the history of the modern jetliner and what the company has to offer for the future.

The backgrounder arrived in NBR's office the same day its rival McDonnell Douglas, maker of the DC10, chose to place a half page advertisement in Wellington's Evening Post.

Coincidence it may be, but it is a certain signal that Air New Zealand is getting close to making a decision on a replacement aircraft for the DC10, now almost embarrassingly small for the long haul route to the United States.

There are two options — the stretched DC10 which McDonnell Douglas has yet to finally launch or the already well tried Boeing 747.

McDonnell Douglas will be desperately hoping for a three plane order from Air New Zealand that might tip the balance between scrapping the project or going ahead.

McDonnell Douglas is close to getting the 20 orders it needs from half a dozen carriers, but Air New Zealand may yet go for the Boeing 747.

One trade magazine is already predicting that the order will be for two 747-200Bs equipped with long haul Rolls Royce engines, similar to the Jumbo's flown by Qantas. The third would be for a Boeing 747 Combi, carrying 200 passengers and around 20 tonnes of freight.

None would be able to use Wellington's short runway for trans-Tasman hops, but Air New Zealand is unlikely to buy an aircraft solely to suit the capital.

By the mid-1980s it might get around to considering an order for the 200-seat European Airbus, the A310, which with original Airbus, the A300, is causing Boeing to subtly introduce the word in its literature. The Airbus is the main competitor for Boeing's latest model, the 767.

Old goldmines rise out of economic past providing new hopes and problems

by Warren Berryman

THERE is gold in the Waihi hills. Always has been.

But proving an ore body and digging it out is a far more ticklish operation for the new breed of prospectors setting up in the town.

AMAX, an American molybdenum mining giant, is gearing up for a major exploration programme at Waihi.

If successful, the scheme will lead to an open pit mine in the middle of Waihi township.

AMAX is only at the early exploratory stage and it could be years before they make any commitment to mine or abandon the prospect.

But Waihi is already full of hot speculation. Optimists predict a $1 billion a year Eldorado.

Pessimists suggest that the old miners got all the gold ore worth bothering with years ago.

Environmentalists, and some town fathers are already busy throwing stumbling blocks in the explorer's way.

Other Waihi businessmen welcome the prospect of a gold mine, together with its socio-economic multiplier, as a new lease of life for their town — especially now that Waihi has been abandoned by the railroad.

Like a phoenix rising from New Zealand's economic past, hopes for the new venture centre on the old gold mines on Martha Hill.

The Martha mines brought Waihi town into existence last century and for many years were a predominant economic force in northern New Zealand.

The mines that honeycomb Martha Hill and undermine part of the present town were once considered the most important in Australasia and among the world's greatest.

The Martha produced some 8 million ounces of gold and 85 million ounces of silver between 1898 and 1952, when ore grades reached their economic cut-off point and the mines were closed.

Now, with gold at the $400 an ounce mark and silver prices following in hot pursuit, yesterday's sub-economic rock is beginning to look like ore grade material.

Thus the renewed interest in the old workings.

The prime question is how much gold the old miners left behind.

Prospecting rights for Martha hill are held by Waihi Mining and Development, an unregistered company representing a joint venture between Mineral Resources (NZ) Ltd and Green and McCahill Mining Ltd.

Mineral Resources previously had a joint venture with, and financial support from, Fletchers.

Last year Green and McCahill took over Fletcher's role as joint venturer.

AMAX bought into the prospect early this year with a $1 million commitment to Waihi Mining and Development. In return for 80 per cent interest — if the prospect becomes a mine — AMAX paid Waihi Mining $100,000.

A further $400,000 will be paid when a satisfactory water right has been obtained to dewater the old workings and drain the mine lake, and a further $500,000 after three years.

Waihi Mining retain rights to 20 per cent of any production.

AMAX will foot the bill for exploration work. This could come to $6 million or more over a six year period.

The Minister of Energy extended the prospecting licence in the names of Mineral Resources and Green and McCahill Mining for a further three years from May 1979.

The Minister also granted formal approval for the Joint venture with AMAX.

Several mining companies have had a look at the Waihi prospect after the Martha mines closed, ICI and Newmont sampled the ore atope the Martha gold reefs some years ago but considered the ore grades too low.

South Pacific Mines, and later the ill-fated Norpac Mining, carried out sporadic investigation of accessible residual reefs between 1961 and 1974 after rehabilitating some of the surface drives.

But this effort came to naught.

Mineral Resources has been scavenging for gold and silver among the Martha Company's mill and refinery wastes for years. Bullion was recovered by the cyanide process in a mill built up by this company from bits and pieces left from the Tui Mine and the Norpac Mining venture.

Backed by Fletcher finance, Mineral Resources secured its rights to the area by buying the assets of Norpac Mining Ltd (in receivership) for $110,000 in 1974.

This purchase gave Mineral Resources not only tensure but ownership of Norpac's assets including milling equipment and some base metals.

Some of these assets were sold. Some went into Mineral Resources own mill.

Mineral Resources managing director and major shareholder, Jack Barbarich said the Norpac deal was the gift of the century. His company sold enough of Norpac's equipment to make their money back within three weeks.

Mineral Resources received permission from the Mines Department to extract 30,000 tonnes of ore from an open cut along the Martha reef.

This was rather an unusual move by the Mines Department as Mineral Resources had only a licence to prospect and not a mining licence.

But it was considered that the 30,000 tonne cut was an exploratory tool and not a mining operation — a fine distinction in this case.

Mineral Resources, after stripping off an area of hungry quartz, extracted some 15,000 tonnes of ore before last winter's rains stopped the operation.

Some of this ore came from residual ore left in the Martha reef system, and some from stope filling put in by the old miners to stabilize the country after the high grade ore had been removed.

This ore was processed in Mineral Resources mill. It is understood that the company recovered about 50,000 grams of gold and 100,000 grams of silver from this ore — which should just about pay for the milling operation.

According to Barbarich, the open cut itself cost Waihi Mining about a quarter million dollars.

The object of the open cut exercise was to test the residual ore left in the main reefs, the stope filling, and the areas of stockworks and small veins adjacent to the reefs where they split up.

Gold and silver ore at Waihi occurs in reefs and stringers formed by fissure filling and replacement in the quartz andesite-dacite flows covering the region.

The mineralised solutions filling the fissures in the host rock left the gold and other sulphids finely disseminated in the quartz.

In theory, gold remains in the pillars and arches left by the old miners along the main reefs and in unmined areas between the reefs where small veins or stringers were untouched by the old miners as the gold prices existing at the time did not make them worth the candle.

On an average the ratio of gold to silver in the ore has been about one to seven.

The area of particular interest to Mineral Resources is that lying between the Martha and Welcome reefs.

Mineral Resources consultant geologist Peter Hancock presented a paper to the Australasian Institute of Mining and Metalurgy in New Zealand.

According to Hancock's paper, the prospecting cuts are designed to extract between 20,000 and 30,000 short tons of ore of about 0.15 ounces of gold per short ton of ore.

"The stockwork stringers and the small veins that cut them have been found to carry similar values at the adjacent main reefs whose values are 0.25 ounces-short tonne (8.5 grams-ton) or higher", the paper said.

Cut-off ore grades, when the mine closed, were 0.25 ounces of gold a ton.

With modern open pit mining and modern metalurgical methods giving good recoveries — together with today's high bullion prices — an economic mining venture probably could be based on average ore grades of 0.12 ounces a tonne or less.

Most, if not all, the high-grade ore in large reefs has probably been worked out. There are literally hundreds of miles of shafts and adits honeycombing the area and crosscut drives were extended at right angles to the main reefs to see if other reefs could be intersected.

But even the worked-out areas might be of interest to a scavenging operator.

Stopes were filled with material that at today's gold prices might be considered ore grade.

Also, before the old mine turned to the cyanide process, gold and silver recovery rates were poor, thus any of these old tailings of waste might now be considered ore grade.

But the main target is the area between the reefs where the veins and stringers were too small for the old miners to bother with.

With the eternal optimism of the dyed in the wool prospector, Barbarich estimates there could be 10 million tonnes of 0.1 ounce per tonne ore and 20 million tonnes of 0.25 ounce-tonne ore lying between the Martha and Welcome reefs — enough to earn $100 million a year for the next 15 years.

Barbarich said he first took interest in the Waihi prospect with the idea of scavenging the ore serving as ballast for the miles of tramways in the old mine.

Barbarich's ideas and enthusiasm have grown since then. So have gold prices.

"Gold was only $60 an ounce when I started 9 years ago," he said.

In an equally optimistic vein, Mineral Resources chairman John Watt told a shareholder's meeting last year that the estimated gold in the area between the Martha and Welcome reefs was worth $US810 million and the silver worth $US61.4 million.

These estimates would have to be nearly doubled due to the gold price inrease over the last year.

But inferring ore grades and proving an ore body are two different things.

The cavities left by past mining operations make it impossible to prove the ore body with diamond core pattern drilling from the surface.

So AMAX wants to dewater the mine down to 600 feet below the mine lake level. With the water pumped out AMAX hopes to enter the old shafts and adits to sample and drill underground.

Annd herein lies the rub.

The mine lake, left after a subsidance from underground block and cave mining filled with water, has been turned into a small park for the people of Waihi. While the lake may have an impervious bottom and be unconnected to the water that fills the mine, it will still have to be drained as few would want to work underground with a potential flood directly overhead.

Conditions on the original three-year extension of the prospecting licence demand that the lake bed and shore are to be protected by the licencee so the lake can be refilled if mining does not follow the exploration state.

AMAX has obtained permission of sorts to drain the mine and lake from the Hauraki Water and Catchment Board.

But this permission came with what AMAX considers impossible conditions — namely, that the Crown take over responsibility for the water right.

Conditions on the water rights are still being negotiated.

On the water right issue AMAX is up against the environmentalists. Plans to pump the mine out at the rate of 13.5 megalitres a day into the nearby river.

Some local opinion holds that the water pumped into the river won't be as pure as AMAX claims.

The area contains fine clays that in the past have been very difficult to settle out. Also, because the mine area is pyritic, these sulphides could, when exposed, oxidise rendering the water acidic.

AMAX resident geologist Ross Day said the water would be treated before discharge.

Day has talked to Waihi's town fathers explaining that if mining takes place it would be six years before any decision to mine was made and possibly 10 years after that before mining commenced.

AMAX environmental planning and ecological expert is also drawing up a plan for the Waihi operation.

Still, many in the town talk about the mine as if it were going to happen tomorrow.

Waihi's major employer, since the mine closed has been the Pye Electronics factory, which employs 400 people and sits on the slope of Martha hill — uncomfortably close to the area that might be mined.

Waihi's town council have expressed their concern that Pye might pack up and move to Auckland should the mine become a reality.

But Pye managing director Max Hunt said he was not yet overly concerned about the prospect of a mine on his factory's doorstep. But, he added, dusty mining and precision electronics don't make good neighhours.

Then there is the concern about mine tailings. A mine such as the one thought of might be worked at something like 20,000 tonnes of rock a day. Working on an average of 2 tonnes of rock per cubic metre.

This could leave a tailings pond 1 mile square and 17 feet thick.

Assuming all the rock was processed as ore grade material the fine tailings could be pumped in slurry form to a tailings pond or into the sea.

But if there was a 2 to 1 overburden strip ratio involved as some geologists consider likely the unwanted rock would probably have to be transported by truck and economic considerations would demand that the dump was not too far from the mine and the town.

The mayor of Waihi, Owen Morgan is against the mine. He said he did not think there was enough gold left behind by the old miners anyway.

Ironically, Morgan owns Dominion Gold, a company producing dental gold fillings.

Deputy mayor Doug Seath is all for the mine. Seath recently closed down his furniture factory after 25 years in that business and is leasing the 1600 square foot factory building to AMAX for its exploration office.

Seath said he closed down his factory mainly because transport costs had nobbled his business since the railways pulled out of Waihi.

Waihi had surplus ammenities and service and the mine was Waihi's big chance to grow into them, Seath said.

But Seath added the town council voted 4 to 3 against him on the question of town support for AMAX's venture.

Some of Waihi's residents chose the town to live in because it was nice and quiet. They are not anxious to have their peace disrupted with all the hustle and bustle a mine would bring.

Others, like Seath, see the mine as the town's big chance.

AMAX is no stranger to environmental hassles and flack from townsfolk. AMAX is currently in the throes of opening the world's largest molybdenum deposit at Crested Butte, Colorado.

Like Waihi, Crested Butte is an old mining town. Crested Butte nearly died when the mines pluyed out. And then it was discovered by the skiers and became a poor man's Aspen.

Employer's economist advocates wage controls

Economics Correspondent

AT one time, every firm and organisation had to have its own accountant. Then, its own lawyer, its own personnel manager, its own computer programmer . . .

The latest fashion is to employ trained economists.

Over the last few years, economists have become particularly visible on the industrial relations scene. The Employer's Federation has expanded to include three highly respected economists.

Jim Rowe, previously head of the economics department at Massey University, is the federation's executive director. The others are Max Bradford, previously at Treasury, and Bill Poole, previously with the Banker's Association.

It's not surprising, then to find Rowe's speeches peppered with economic arguments. Addressing the Auckland Rotary Club, he put forward the premise that "wages and salaries are so important a part of the economy that they cannot be allowed to run absolutely free without courting disaster. For free wage bargaining to survive, there must be major changes in our industrial relations and wage fixing processes, as well as attitudes."

Rowe argues that bad industrial relations obviously impede productivity. And the lower the productivity increase achieved, the lower the *economy's capacity to raise* wages without pushing up costs and prices in the same proportion.

"So bad industrial relations and the *rate of inflation are* directly and causally related," he said.

THE ECONOMY

But productivity is not just determined by the input from a firm's employoyees. It is also the result of the efficiency of other components which determine a firm's output.

For example, if good investment decisions are made and capital equipment with a high rate of return is purchased, productivity will increase even if labour efficiency stays the same.

But as Rowe points out, "high rates of inflation also militate against rational planning by businesses, and thereby inhibit productivity growth." In other words, firms may be reluctant to engage in new investment activity during inflationary times.

It's true that any investment will have to bring a good rate of return to make it worth borrowing at the high interest rates usually characteristic of an inflationary period. But these high interest rates can also have the positive effect of sorting out projects which will bring a high rate of return from those that are not so profitable.

It may be no bad thing that firms are forced to make hard investment decisions rather than wasting funds on capital equipment with a low rate of return.

A closer look at Rowe's argument suggests that he does not conform to the modern view that the economy is a constantly inter-acting balancing mechanism. He seems to have a more static view of the world. His worry is that wages and salaries take up too large a proportion of our national income.

Salaries and wages account for over two-thirds of our national income. The remaining share is split between farmers, other self-employed workers, rents, interest, and profits. This is the share which provides the main source of funds for private sector investment.

In the two decades from 1951/52 to 1971/72, salaries and wages rose by eleven percentage points in relation to national income. Since 1971/72, the share of wages and salaries in national income has risen from 61 to 68 per cent.

Rowe's analysis can be questioned on at least three grounds. Are the statistics he uses relevant to his analysis? Is the economy a static mechanism, or is there some lever which eventually will cause wages to become a declining share of national income? Does the large share going to wages and salaries explain low productivity increases or the rise in the rate of inflation?

Economists in New Zealand have not carried out research which can provide answers to any of the above questions. Economists have dabbled in the area of the effects of wage and salary increases on macro-economic behaviour, but no substantive work has been done.

Rowe argues that the share going to wages and salaries has increased for two main reasons. The Government has taken too much out of incomes in taxes and the unions have been able to get wage increases which are too large. Neither of these reasons can be accepted without question. There is little evidence about how people feel about publicly provided goods.

True, nobody likes to pay taxes. But less Government does not necessarily mean that the private sector will provide these goods more efficiently and more cheaply.

Further, economists do not have strong evidence to show that it is the share of national income going to wage and salary earners that has caused factor shares in other sectors of the economy to decline. It could well be that tax incentives, subsidies and the general nature of protectionist policies have enabled firms to make poor investment decisions which have resulted in low profits.

New Zealand's fall in productivity may not be a sign of poor industrial relations as much as it is a sign of poor business investment decision-making.

As director of the Employer's Federation, Rowe must be expected to put forward a pro-employer point of view. Research Economists should take up the challenge to analyse whether his views can be supported by evidence.

But in the meantime, it is useful to remember that many economists, like lawyers, are advocates only for their particular interest. While economics provides a valuable perspective for looking at the broad macro-economic effects of wage settlements, any conclusions reached are only as good as the value-judgments held by those engaged in the analysis.

NBR BUSINESS WEEK

Survey shows profit coming back into vogue

by Peter V O'Brien

THE public's reaction to business profitability has changed since 1976. The Associated Chambers of Commerce released last week the results of a Heylen Research Centre survey on the "general public's attitude to business and to the profits of business".

The survey included two questions from a similar survey of 1976. The report says that 44.7 per cent of those questioned in 1976 believed that it was "definitely true or probably true that New Zealand firms made unfair profits".

The Chambers say that attitude is significantly less positive this year at 29.8 per cent.

Responses to the other 1976 question show little change from those of three years ago.

The same percentage "still agree that it is definitely true or probably true that New Zealand firms make less profit now than in the past, and there is now a smaller percentage with any reservation".

Replies to that question, on a total weighted sample of 2000, were:

definitely true	16.8%
probably true	22.3%
might be true	17.5%
prabably not true	24.2%
definitely nat true	12.9%
don't kaow	6.3%

Exclusion of the "don't knows" results in 39.1 per cent of the sample with positive response to the questions, and 31.7 with a negative reaction.

The 17.5 per cent "might be true" is a grey section of respondents, leaning slightly to the positive, but perhaps their own special "don't know" section.

The survey raises several questions, with both economic and political implications. The overall improved image of business and its problems may be a result of the Chambers "programme of economic education", in which case the organisation can give itself a pat.

It may come from a better appreciation of tough economic times, and exposure to information from many sources additional to the Chambers.

Finally, the survey could reflect the shift to the right which is happening in many Western countries, including the United States, United Kingdom, Australia, Canada and New Zealand.

In the context of the survey, that shift is relevant to reaction to the statement "unless business makes an adequate profit, it cannot expand its workforce".

The Chambers comment: "it was interesting that those who approached the question from the point of view of an adjusted cash profit rather than a paper profit, were even more positive (88 per cent)".

The response indicates a strong feeling that business makes jobs, and that profitable business is the solution to unemployment, rather than various State schemes to deal with problems outside the creation of an appropriate business climate.

The "shift to the right" mentioned earlier may be nothing more than the regular swing of the political/economic pendulum, and therefore short-term. Some of the reasoning may be simplified, given the complexity of modern economies, their relationship with each other, and the desire to see the State accept large welfare burdens.

Reports from the United States suggest that philosopher Hayek is receiving renewed attention, particularly among people in universities. That interest can be coupled with the shift to business counes in American universities, and to business careers, after a period of emphasis on general social issues, and spurning "business" as a dirty word.

The Hayek phenomenon may indicate over simplification and a reaction to Keynes because it is difficult to see how several of his principles could work in a time of rapid technological development, political divisions which are not necessarily related to economics (religious arguments, and racial questions, for example), and powerful corporations operating acorss national frontiers.

It will be interesting to see the results of the Chambers' survey if they decide to have one in 1982, in the light of current shifts in political and economic opinion.

CORRECTION

AN ARTICLE on the Savings Stock issue in NBR last week included the comment that an investment made on December 7, 1979 at 11.5 per cent a year would produce an effective return of 13.4 per cent if redeemed on October 15, 1980.

The comment was based on a misunderstanding of the Reserve Bank's reply to a question.

The Bank has now told NBR that an investment made on December 7 will receive an interest payment in April, 1980 calculated on a daily basis from the date of investment. Interest for the next six months will be half the annual 11.5 per cent.

Therefore an investor redeeming on October 15, 1980, who invested for 313 days, will receive an effective 11.5 per cent a year, adjusted for the period of investment, and not a return of 13.4 per cent.

Analysing annual accounts

by Peter V. O'Brien

FELTEX New Zealand Ltd is one of the country's largest companies. The groups' annual report has deficiencies which fail to reflect that status.

Managing Director George Pearce's review of operations considers company activities under the headings "Furnishings group", "Tyre group", "Rubber group", "Textile and sports group", "Retail group", and "Associated companies".

The retail group can be sorted out easily by reference to the annual report of Smith and Brown Maple Furnishing Ltd, which is a 60 per cent Feltex subsidiary, operating 46 stores throughout the country.

How does the shareholder or other reader assess the contribution of the remaining groups, apart from a general rundown in Pearce's review?

The report has no sales, asset investment, or profitability breakdown by groups, and the reader is left with global figures covering activities as diverse as plastics and tyres.

Divisional accounting would overcome that problem. Such information appears in the accounts of companies smaller than Feltex, and sometimes among those with less diversification.

The Feltex board includes at least five chartered accountants, so it should not be difficult for the company to provide the details on relative profitability and investment return in each sector.

The lack of sectional data makes it impossible to conduct a meaningful analysis of the group's year. Total sales increased 14 per cent, but that is the average among various divisions, some of which obviously did better than others, whether by prices rises or through increasing their volume.


Feltex New Zealand Limited Annual Report 1979

The managing director's review refers to that point indirectly when considering plastics and tyres. The plastics group faced "a spiralling of raw material costs and consequential price rises". The tyre group did better apparently, because "considerable progress was achieved during the year by improving our relative position in the market".

Those comments are meaningless from an analytical viewpoint in the absence of figures.

The treatment of taxation liability is the second deficiency. Feltex's taxation provision is $3,032,000, including deferred taxation ($593,000), and share of associated companies' liability ($285,000).

Total tax provision was 20.5 per cent of pre-tax profit compared with 16.06 per cent in 1978. Part of the difference came from removal of the stock adjustment allowance, but the total liability is still low.

A company with a tax rate of 20.5 per cent should tell the shareholders how it obtained a comparatively low imposition.

Feltex's only comment on tax, apart from saying that export rebates were unavailable as a result of higher profits, is contained in the statement of accounting policies:

"Taxation charged against profit for the year is the estimated total liability in respect of that profit after **deducting available allowances, including allowances not fully utilised last year**" (NBR emphasis).

What available allowances? How much did each allowance contribute to the deductions? What allowances, and how much, relate to the previous year?

The information is relevant, because it allows an assessment of possible non-recurring allowances, and therefore an examination of the likely situation this year. Pre-tax profit becomes the meaningful result without these figures.


GEORGE PEARCE . . . review of operations.

The company's pre-tax profit was 6.5 per cent of sales last year, compared with 3.9 per cent in 1978, resulting in pre-tax profit of $14,778,000 as against $7,763,000 in the previous year.

The 90.3 per cent improvement was achieved on a 14 per cent sales rise so the group bounced back well from a downturn between 1977 and 1978.

While the pre-tax profit comparison gives a realistic relationship with sales, it is necessary to revert to net profit when calculating the return on total investment, in terms of cash flow to total assets.

Cash flow is the cash profit from all sources, including "extraordinary" items plus depreciation. Feltex's cash flow was 7.88 per cent of total assets, compared with 6.24 per cent in 1978.

The improvement is even better in real terms, because the group revalued fixed assets during the year, adding $2,558,000 to asset valuations before depreciation allowance.

The other information in the report is satisfactory. The directors give an adequate explanation of changes in working capital which were needed to finance a higher volume of business and stock. The latter rose $8.1 million (12.5 per cent) over the year, while accounts receivable, less unearned income on hire purchase transactions (evidently in the retail group), went up $6,175,000 (12.15 per cent).

The financial structure is sound. Inclusion of the information referred to earlier would improve the report's quality.


"Say goodbye to your father, Freddy. He's going into politics."

Merchants and services forecast small improvement

by Peter V O'Brien

BUSINESS expectations are improving because the rate of deterioration is now expected to be lower than in June.

The Institute of Economic Research's quarterly survey of business opinion reaches that complicated conclusion after analysing the latest information from 368 respondents to its regular questionnaires.

The institute says that a net balance of 7 per cent of respondents now expect a deterioration over the next six months, compared with 33 per cent in each of the last two surveys.

"The improved outlook is most evident amongst merchants and services. It is not reflected in respondents recorded performances during the last three months, but is reflected in some of their forecasts for the next three months."

"Apart from this improvement the survey results generally indicate sideways movement. The situation is similar to that outlined in the last survey, and expectations suggest little change."

The institute says there are significant differences between sectors, with manufacturers/builders more pessimistic (some deterioration) and merchants and services expecting some small improvement.

The sector analysis shows that demand is still the single factor "most limiting ability to increase production/activity."

The replies to that question suggest the respondents expect a rise in demand over the next six months to justify their expectation of better business conditions over the period.

On an economy-wide basis 64 per cent of respondents cited orders/sales as the single most limiting factor. Manufacturers and builders scored 68 per cent on that reply, with merchants reaching 72 per cent (the option among merchants and services is listed as "demand"), and the service sector came up with 48 per cent.

The relatively small return for services, which came back from a 55 per cent demand constraint reply over the last 12 months, may relate to the amount of money available to the public following recent tax cuts and other government policies, which should work through the economy.

Returns from the various sectors are interesting for the comparison between three and six months expectations. In three months the economy will have reached February, 1980, when tightening liquidity will probably reach its peak, subject to any further Government policy changes (which now occur regularly in an attempt to maintain reasonable economic equilibrium).

The six months' expectations go past February and beyond the large tax drain in March. The institute does not speculate about the reasons for the change between the periods, but it may have something to do with a "coming out the other side" view among respondents.

Assuming that the demand restraint is overcome, and that the respondents' other expectations are fulfilled, the position in three months will have little effect on employment.

The economy-wide returns show that 72 per cent of respondents expect the same level of employment over the next three months as they have at present, 13 per cent think their employment will be up, and 14 per cent are forecasting a lower level of staff.

The respective figures for manufacturers and builders are 68 per cent the same, 12 per cent up, and 19 per cent down. The 19 per cent figure reflects the continuing depression in the building industry, where 21 per cent forecast a reduction in employment numbers, whether in the building and construction or building materials sub-sections.

Stable employment is most evident among merchants, with 80 per cent expecting the same numbers employed in the next three months. An increased number is reported from 10 per cent, and 9 per cent consider employment will fall.

The services sector's figures are: 73 per cent the same, 16 per cent expect an increase, and 11 per cent forecast a downward movement.

There is inevitably a time lag between receiving and processing the results at the Institute and the short term development of economic affairs.

The latest survey was conducted before the announcement of the September quarter inflation figure, and would have come before the recent jump in interest rates, although the latter happen at regular intervals.

A reference to interest rates is included in the analysis of the services sector: "Interest rates are expected to rise during the next 12 months, by a net 50 per cent of respondents. This is down on the last survey's net 62 per cent expecting increases, but is historically high and the fourth successive survey indicating widespread increases".

Services includes the financial services group, a set of respondents who should know interest rate trends. The continuing high proportion of people expecting interest rate increases, although down on the previous survey, makes one wonder where it will all end.

The commercial bill rate was just under 16 per cent last week, finance companies are offering 15 per cent to medium term investors (special rates are available for large sums, and are also offered by banks). The Government has an 11.5 per cent loan for a year, and industrial debentures are paying ... per cent. If the respondents' expectations were realised debt servicing in 1980 could be a problem.

Interim reports show profit improvement

by Peter V O'Brien

INVESTOR INSIGHT

INTERIM reports for the six months to September 30 show that company profits continue to improve, after a good year in 1978-79.

The half year results from the two Auckland companies, Healing Industries and Transvision, took news headlines on finance pages last Wednesday, when both groups announced substantial profit rises.

Transvision reported profit of $264,000 for the period, compared with $130,000 in the first half of last year, and $405,000 for the year ended March 31, 1979.

Shareholders will welcome the company's one for four bonus issue, which qualifies the shares as a trustee investment. An interim dividend of 5 cents a share will be paid on the bonus increased capital.

The market priced the shares at $2.50 immediately before the announcement, and at that level the ex bonus price would be $2. Investors could raise the price before the bonus is made, because last year's 11 per cent dividend yields 5 per cent at $2.

The company may lift the total dividend payout for the year, although there is an effective rise to existing shareholders when the payment on the bonus shares is taken into account.

If we assume that a 12 per cent dividend is paid for the 12 months to March, the yield at $2 rises to 6 per cent.

Cover for that dividend is important, and the company would need to earn $600,000 to cover the distribution twice. The interim dividend is covered 2.1 times.

The rapid increases in profitability suggest that $600,000 could be earned in full year. Last year the second six months produced $275,000. The same earning rate this year would bring net profit to $540,000 and only another $60,000 would be needed.

The interim report contains a comment on cash flow which is probably more relevant to future prospects than the first half profit. Cash flow (profit plus depreciation) was $1.65 million, compared with $1 million in the same period last year.

Total group assets increased from $21.3 million to $24.9 million, so cash flow for six months was 6.6 per cent of total assets, as against 4.7 per cent in 1978.

The rapid rise in funds to finance the business (cash flow) is a feature of Transvision's development, but it happens in any organisation which is involved in rental of relatively high priced products.

Investors took the point, and pushed the share price from $1.35 in December, 1978 to $2.50 before release of the half year figures. The share value therefore rose 85 per cent in 11 months, one of the best price improvements this year.

Healing's performance is more impressive.

The six month's profit was $1,047,340, which is close to the $1,077,000 earned for the whole of last year. The company raised the interim dividend to 8.5 cents a share, 2.5 cents up on last year's 6 cents a share, although shares from the recent cash issue are excluded from the interim payment.

The market's assessment of Healing is seen in the ex issue price of the shares. Last week they sold at $3.55, with rights trading at 90 cents. The ex issue price is only a few cents down on the high of $3.85 for the year, recorded before the announcement of the cash issue.

The increase in the interim dividend "did not automatically mean the final would be increased by a similar amount", according to the directors' statement. They said it was a "levelling out" of the dividend over the year.

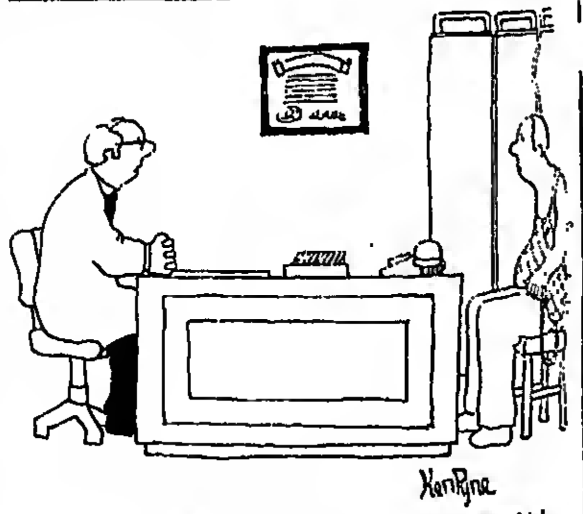
The last result was achieved after a much higher tax liability. Healing's tax in the first half of last year was 22.4 per cent. This year the provision rose to 43 per cent of pre-tax profit.

The directors made a reference in their interim report to the higher tax, but the percentage suggests that buoyant local markets produced more growth than exports, which also increased.

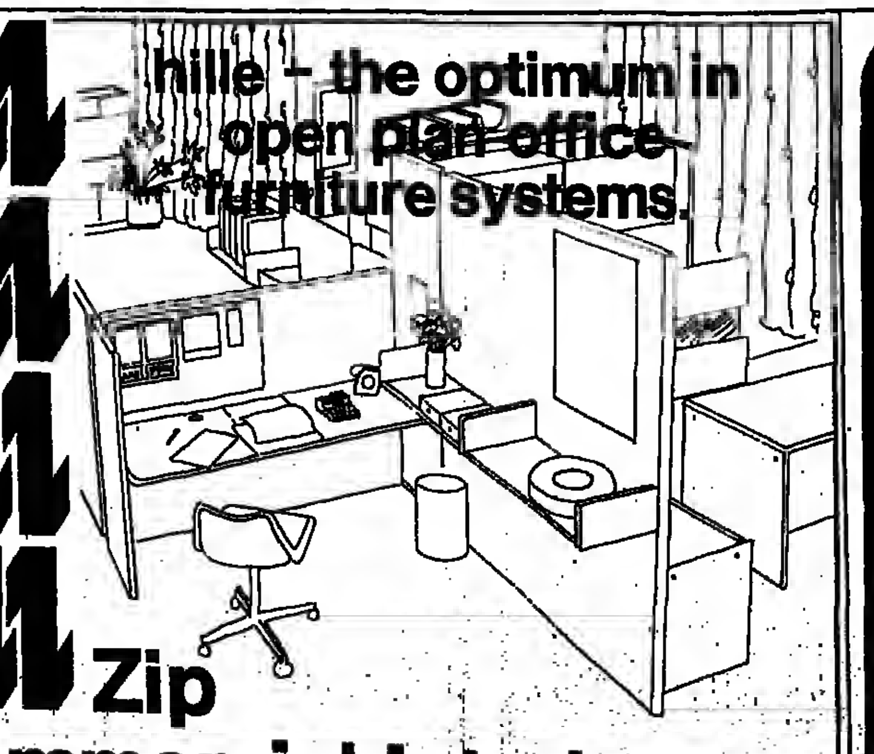
The earning rate on capital, including the new issue, would come close to 70 per cent if profitability in the second half were maintained at the present rate.

The flow of interim reports will speed up in the next few weeks, but it is possible the market has anticipated several improved results given the rise in share prices over recent months.

On the basis of Healing and Transvision, there may be room for further price appreciation, particularly among smaller companies which apparently are performing better than heavyweight, in terms of percentage gains.



"Mister Bennett, you're overweight, you drink too much, you smoke too much and you don't get enough exercise—so you may be unfit but at least you're normal."



Employment Details

THE jobless total at 19 October was 48,999, including people on special work – a fall of 1060 in three weeks. The total was last under 49,000 at December 1, 1978 (48,724). The number of special workers fell by 268 to 23,553 in the three weeks to October 19. This is the smallest number on Government-supported programmes since August 1978. The number engaged in subsidised private sector work schemes fell from 6018 on September 28 (10,000 in April) to 5506. Special workers in the public sector increased during the same period by 244 to 18,047.

Government News

THE government has agreed that up to $250,000 be made available to meet the unpaid bills of contractors who carried out emergency work in connection with the Abbotsford slip. The work was undertaken at the request of the local controller of civil defence. The decision will assist the Green Island Borough Council, whose need for further financial assistance is being investigated.

THE WEEK

Company News

ALLIANCE Textiles Ltd had a difficult trading year with profit 55.3 per cent down on last year. Profit margins reduced materially during the second half of the financial year as a result of intense competition, and substantially increased wool prices, the directors reported. Profit for the year was $592,862 compared with $1,326,781 for 1978. An interim dividend of 3c tax free from realised capital reserves was paid in ordinary share in May and directors recommended a final divided of 2c be paid on 28 November, payable from realised capital reserves.

ARTHUR Yates and Co Ltd has made a $9.53 million offer for all the shares in Hodder and Tolley Ltd, the Palmerston North-based grain, seed, produce and fertiliser merchant. The offer is one Arthur Yates share and $6.24 cash for every two Hodder and Tolley ordinary shares and $1.32 for each specified preference share.

BALLINS Industries Ltd announced the purchase, subject to Commerce Commission consent, of the shares in Tauranga Fruit Processors Ltd, marketers of fruit juice under the brand name Fino, and other canned products. This is just further expansion of the Christchurch based liquor company, which recently took over the Chicken Spot franchise for New Zealand.

BNZ FINANCE Co. Ltd raised consolidated audited profit by 26.3 per cent to $519,000 in the September 30 half-year. The directors are increasing the interim dividend by 1c to 7c a share, 3c of it payable tax-free on November 28, ex December 12. Total group assets at September 30 were $105.4 million compared with $89.3 million at March 31.

DONAGHYS Industries Ltd, Dunedin-based rope and twine maker, has lifted unaudited earnings 21.5 per cent to $846,500 in the September 30 half-year. Directors have declared a 7c interim dividend, 2.5c tax-free from the share premium reserve.

DU PONT (NZ) Ltd, a wholly-owned subsidiary of the United States based E.I. Du Pont de Nemours and Co, will commence operations in Auckland, distributing du Pont products currently handled by Neill, Cropper and Co Ltd. The company also plans to build and operate a plant for the manufacture of "Tovex" Water Gel explosives for commercial use in Mining, construction and quarrying.

FELTEX Finance Ltd, jointly-owned by Feltex New Zealand Ltd and Smith and Brown Maple Furnishing Ltd, is seeking $1 million in its first public debenture issue. Interest rates offered are: three months, 11 per cent; six months, 12 per cent; nine months, 13; 12 months, 14; 18 months, two and three years, 14.5; four years, 14.

J RATTRAY and Son Ltd, achieved a turnover in the year to July 31 of $70,687,372. Excessively heavy increases in wages and other costs in the past year are expected to level out in the present year. Tax-paid profit rose 27.5 per cent to $959,000. Current assets totalled $16,571,194 (1978 $11,649,520) and current liabilities $11,027,138 ($7,537,131).

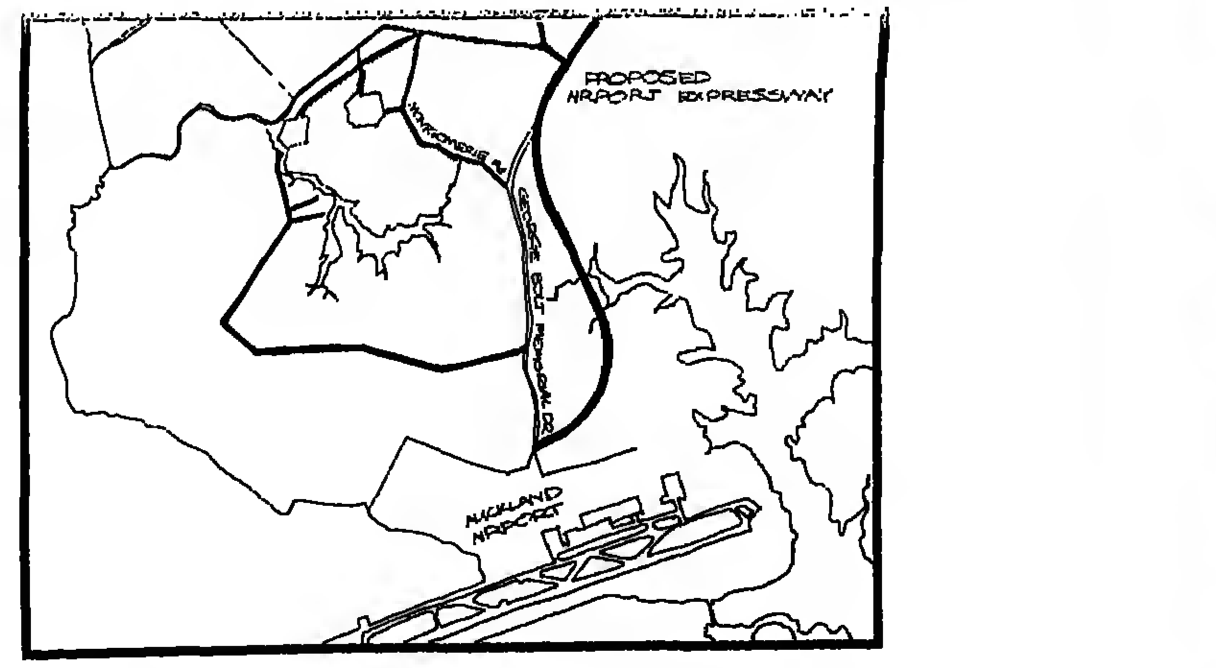
TASMAN Pulp and Paper shareholders will be offered 16,494,806 fully paid 50c ordinary shares at 205c pro rata as the Government sells off its holding in the company. Tasman is to be the Government's agent for the sale.

THE cycle boom is responsible for the 200 per cent increase in tax paid profit of Auckland-based Healing Industries Ltd, bicycle and paints manufacturer. The company's September 30 half-year results reveal a profit of $1,047,340, compared with $346,020 for the 1978 September half-year. Directors have hoisted the interim dividend up 2.5c to 8.5c.

TRANSVISION Holdings Ltd is to make a one-to-four bonus issue of ordinary shares following a 103 per cent lift in net profit, to $264,000 in the six months ended September 30. This compares with $130,000 for the same period last year. The company will pay an interim dividend on December 13 of 5 per cent, paid on the bonus increased capital. The increase in capital to $2.5 million and meeting the dividend criteria will qualify Transvision shares as a trustee investment in three years.

Exchange Rates

Australia	.8796
Britain	.4590
Canada	1.1432
Fiji	.8214
Japan	230.07
West Germany	1.7133
USA	.9633
Austria	12.31
Belgium	27.65
China	1.4484
Denmark	5.0222
France	4.0195
Greece	35.88
Hong Kong	4.8039
India	7.9024
Italy	793.11
Malaysia	2.0852
Netherlands	1.9031
New Caledonia and Tahiti	72.92
Norway	4.7976
Pakistan	9.3641
Papua-New Guinea	on application
Portugal	47.99
Singapore	2.0965
South Africa	.7924
Spain	63.58
Sri Lanka	on application
Sweden	4.0636
Switzerland	1.5698
Western Samoa	.8853



Car industry fraud problem

Continued from Page 1

"We have no way of knowing whether there has been a prior hire purchase agreement, in this type of situation", the spokesman said.

He said it paid to register the instrument by way of security at least, and they usually were.

There were ways of catching such an operator out, but they were not foolproof.

The lending company can request the registration papers and work back through previous owners to the last dealer. That dealer is phoned and asked if the vehicle was sold under a hire-purchase agreement.

If it was sold, the finance company with whom the agreement was made is contacted and asked if the vehicle is still on its books. But the process is lengthy, and time consuming.

One finance house executive confessed: "There are probably dozens (of cases of double financing) on our books that we're not aware of. We don't find out unless people go into arrears".

Otherwise the company can check the vehicle out through a credit agency. But the inquiry is limited to whether the owner previously has been checked out with regard to another security. The credit agency might indicate if the security had been approved.

People can readily sell a car which is security for a loan or obtain double finance using the vehicle as security for both transactions under the present system, several sources agreed.

DOUBLE financing — the sale of a vehicle to several finance companies simultaneously — was so prevalent in Britain that 12 finance companies got together in 1937 to make that type of fraud difficult.

A central card index was formed to record details of merchandise — particularly motor vehicles — which were sold on hire purchase or subject to some other credit arrangement.

The records were available to finance company members and motor vehicle dealers.

Hire Purchase Information Limited — formed to handle the service — has well over 600 finance company members and records some 98 per cent of all vehicles which become the subject of credit arrangements with the companies.

HPI records caravans, boats, aircraft and even some industrial and agricultural equipment, as well as motor vehicles.

Where a finance company has registered a financial interest in a vehicle, it is advised of inquiries in connection with that vehicle.

Motor dealers can inquire to the service about any vehicle offered to them for sale and they are advised whether a finance company has an interest in that vehicle.

Members of the public can make their inquiries through a body such as the AA.

Insurance companies were introduced into the system in the late 1950s. They notify HPI of all vehicles treated by them as a loss, and HPI notifies the finance company as well as informing the insurance company of the other company's interest.

The police co-operate closely with the service, informing it of all stolen vehicles.

Details are kept on file, making disposal of stolen vehicles difficult.

Local councils began using the service in the 1960s.

Under legislation they are required to check with HPI before getting rid of abandoned vehicles.

The scope for this type of service is broad, and although HPI may not be directly applicable here, there are a number of advocates in New Zealand for a comparable service. But it will require some help from Government.

Agency toasts silver jubilee

IN 1954, Fred Dobbs and Doug Wiggins concluded a deal with Frank Goldberg to buy his Wellington agency. So recently they have heen inviting clients and staff to a series of functions in Auckland, Wellington and Christchurch to celebrate their 25th agency birthday.

"About half-way through this period we had the cheek to approach one of the largest agency conglomerates in the world and we did a deal with them," Fred Dobbs soid. "Becoming Dobbs-Wiggins McCann-Erickson. Our association with mcCann's has

JIM FARLEY... 500 plus staff

been a happy and successful one."

Here to join in the celebrations was Jim Farley, president of McCunn Erickson-Hakuhodo, Takyo, executive president of McCann-Erickson International and responsible for McCnnn activities in this region.

Two and a half years ago, when Farley was first interviewed by Admork he had said international business in Japan represented about 10 per cent of billings.

"This has now risen to about 20 per cent but that is soturation point. Further growth will come from domestic accounts."

Farley claims that McCann Erickson-Hakuhodo is now number one foreign agency in Japan and in the first 10 overall.

"Eighteen years ago," he said, "we hnd a staff of 13 people in one room with no billings. Last year we had billings in excess of $US200 million handled by a staff of over 500."

"The burriers against imports are coming down in Japan," Farley stoted. "It is making efforts to hrooden acceptance of agricultural products. And of course they need resource supply."

Farley also discussed his company's forthcoming move into China.

McCann-Erickson is the major shareholder in the newly formed McCann-Erickson Jardine (China) Ltd with Jardine, Matheson and Co. the other partner.

Jardine, Matheson, with long-term trading experience in China will tend to Government relations and McCann's will provide advertising expertise.

"Advertising is seen as a tool in the modernisation process which China is so actively pursuing," explained Farley.

"Radio and TV media are freely available though the form advertising takes will probably be vastly different from Western styles.

The Chinese are intensely interested in technology. TV commercials, rather than use hard sell, would probably explain the technological aspects of a product in a documentary type approach."

When it was suggested that a return frnm his compnny's investment might be long in coming, Farley replied that its first priority was to have a presence in China and it was not looking for a quick pay-off.

ADMARK

He nevertheless noted that "in view of the desire for modernisotion there is a strong likelihood of some action in the near future.

We are fortunote in having companies such as Coca-Cola and Gillette, who are international elients elsewhere in the world, already operating in Chinn."

A million for milk

THE New Zealand Milk Promotion Council is faced with a classic marketing dilemma according to an address on "Milk Promotion in the 1980s" given by its chairman H V Parkinson to the national conference on the Town Milk industry recently.

In a situation of "head on competition with the rest of the food and beverage industry" where it is being outgunned on promotion expenditure, is to accept declining consumption, loss of production and distribution efficiency and hence rising prices to the consumer?

Or should it promote adequately to sustain consumption, add the cost of promotion into the retail price the consumer pays and still continue to give the consumer the best possible service at the lowest price?

This year's budget has been increased to $400,000 contributed by the producers, milk stations, the vendor's federation and the milk board.

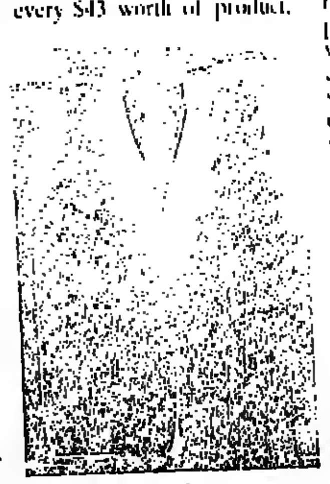
The sum has to cover public relations, information services, educational activities, a national milk recipe contest and advertising.

Parkinson made the point that milk is outspent and outpromoted by major competitors in the food and beverage market. "In the past," he said, "we had our own unique and unbeatable method of promotion.

"We were offering milk at the gate for only 4 cents a bottle. That appraach was far more popular with the consumer than any advertising campaign which our competitors were able to mount."

With the recent increase in the price of milk, consumptinn has dropped more thnn 15 per cent in most of our major cities.

Parkinson stated that where milk spends one dollar in media space for a little over $1000 of product sold, soft drinks would spend $1 for every $43 worth of product,



MILK...fights back

powdered drinks, juice and cordials $1 for every $15 dollars worth of product and alcohol $1 for every $112 worth of product.

Parkinson argued that if the market is allowed to slide through failure to apply the necessary promotion weight, then the consumer facing higher production and distribution costs, is going to pay anyway and pay more without getting any of the customer services which could reasonably be expected in the 1980s.

He then went on to make the case for a $1,000,000 budget based on the current retail value of milk at $128,000,000 a year.

This sum, amounting to the price of two bottles of milk per person per year, would still be a long way below the expenditure level of mojor competitors.

"Promotion today is the way productive industries ensure they have sufficient market to achieve economies of scale and contain their total costs," said Parkinson. "It is a means of giving consumers the best service at the lowest price."

"After all, what is the purpose of any modern marketing operation? I would suggest it's this: to make sure your product is what consumers want, to make sure it's packaged right for them, to make sure the service suits their convenience, and, finally, to see that everyone knows it."

C-C goes global

A LEADING and long established agency, Carlton-Carruthers du Chateau, has gone international without relinquishing its status as 100 per cent New Zealand-owned.

Managing director Ross George announced that his company had become a shareholder in Worldwide Advertising and Marketing of London.

"This is owned jointly by 23 agencies around the world," George said, "with only one ogency shareholder from each country.

"This brings us into association with some very interesting agencies such as Della Femina Traversino and Partners in America and Freemon, Matthews and Mile in the United Kingdom.

"All the EEC countries are included as are the Middle East countries, Indio, Parkistan and, closer to home, Singapore, Mnlaysia, Indonesia, Hong Kong, Taiwan and Australia."

He explained that WAM will act as a clearing house and

ROSS GEORGE... assistance to exporters.

advisory service to all companies but that individual members are able to transact business directly with any other member of the network.

"We believe we can be of considerable assistance to local exporters by tapping these overseas sources for marketing and other essential information," George said.

"Even though New Zealand advertising budgets may be relatively small, the constitution of this international alignment ensures attentive on the spot handling."

Tasman overtures lure NZ from Pacific group

by Michael Hirschfleld

THE Government's concern to secure more effective economic links with Australia threatens to obscure our appreciation of the moves to form a much bigger regional grouping. And eventually, we may be left out in the cold.

The lure of significant benefits from a Pacific regional grouping has been attracting increasing attention in Washington and Canberra.

But while Australia has adopted a prominent role in advancing the concept of a Pacific regional grouping, New Zealand shows signs of being unaware of the significance of Pacific developments.

There have been no New Zealand representatives at some meetings considered important by other Pacific Basin nations.

John Glenn (of astronaut fame), a member of the Senate Foreign Relations Committee and chairman of the Sub-committee on East Asian and Pacific Affairs, in May received a report entitled "An Exploratory Concept Paper."

The central role played by Australia in this regional idea, is illustrated by the fact that one of the two authors of the report is an Australian Professor John Drysdale, of the Australian National University.

On July 18 the House of Representatives Sub-committee on Asian and Pacific Affairs, under the chairmanship of New York Democrat Lester Wolff, started hearings on "The Pacific Community Idea". This process is a continuing one.

The October hearings included submissions by formers Senator Hugh Scott, and Senator William Roth from Delaware.

Interest in the regional grouping results from growing Japanese and Australian activism plus an increasing awareness of the growing economic relationship between the United States and Pacific Rim countries.

American trade with the Pacific Basin countries first exceeded its trade with Europe in 1977. The gap has been growing since then.

Outside of the OPEC grouping, the Pacific Basin region is the world's fastest growing economic area. It encompasses a majority of the successful newly industrialising countries (NIG), Singapore, South Korea, Taiwan and Hong Kong.

The Philippinea, with the lowest anoual growth rate (5.8 percent) of any of the Pacific region developing countries, is still in the top third of the world growth league.

New Zealand might feel uncomfortable io the OECD rich man's club, but our growth record is such that we will feel uncomfortable in any company.

We may feel uncomfortable having to display our economic record for comparison and contrast with the records of our OECD compatriots in the OECD. But what is being proposed for the Pacific Region has more similarities with the OECD than the EEC.

OPTAD stands for Organisation for Pacific Trade aod Development. And this is the concept under discussion primarily in Japan, Australia and the United States.

The "Glenn Report" refers to it as being modelled after the OECD, but with an explicit focus on trade and development interests and without a large bureaucratic infrastructure.

Lawrence Krause, of the Brookings Institute, refers to OPTAD as being "similar in some respects to parts of the OECD in Europe". Dr Soedjatmoko, former Indonesian Ambassador to the United States, has called for "an institution like the Europe OECD for the Asia Pacific Region".

Indications of the importance that the idea holds for the Japanese may be gauged from the fact that Prime Minister Ohira late in 1978 created the "Japan study group on the Pacific community idea". He personally attended all three meetings, held in the first half of 1979.

Work on promoting ideas such as OPTAD has been going on in Japan longer than anywhere else in the region, but with its awareness of the memories of the Greater East Asian Co-Prosperity Sphere, Japan has been reluctant to take a public lead.

But Australian Prime Minister Malcolm Fraser may be ready to take up some of the front running.

His public commitment to the idea has grown since his meeting with Ohira in Manila in May. Reporting on that meeting to the Australian Parliament on May 22, he said:

"One particular point of interest raised in the course of our discussions was Mr Ohira's concept of a Pacific Basin Community ... The idea has considerable potential and merits further discussion and consultation."

Following his success in moderating British Prime Margaret Thatcher's stand on Rhodesia at the Commonwealth Prime Ministers' Conference earlier this year, Fraser is looking at a Pacific Community economic situation as a possible near future international initiative.

Apart from the forward-thinking Japanese and Australians, several others have written about the future importance of the Pacific Basin region. Among them: Arnold Toynbee, Norman McRae, of The Economist and — most recently — Henry Kissinger.

The United States has not been amongst the forerunners — perhaps not surprising, considering American ignorance about the region.

Last year a survey showed just how little Americans knew about some basic Asian realities. Fewer than 60 per cent recognised that Japan was an island nation, and only 62 per cent knew that China had a communist government.

The level of awareness about New Zealand — and even Australia — can be imagined.

Even under President Johnson's imperial presidency, with 500,000 troops in Vietnam, one State Department official was assigaed to shuttle between Canberra and Wellington in the weeks preceeding hia 10-nation Asia-Pacific tour. He thought that the distance was similar to the Boston-New York route.

But even if understanding follows well behind trade realities, the future economic importance of the region should ensure a growing awareness.

Several pointers suggest a continuation of interdependent growth, and the need al the very least for a consultative institution.

Within the region are four of the five largest fish-catching countries, (excluding the Antarctic potential catch) and four of the world's major food exporters.

Both China and Mexico have been identified as two of the potentially biggest, new, oil producers, and vast reserves of gas are to be tapped in Siberia.

The Pacific Ocean has the greatest potential for energy production from new thermal technologies, and has the greatest potential for manganese nodule deep sea mining.

If growth continues, creating and allowing a shift from agricultural effort into a planned expansion of manufacturing capability, (as has happened in the NICs), then there is a vast lahour pool, ready both to change the region's production and its consumption patterns.

Without some institution to prepare and co-ordinate responses to the opportunities and problems, many of the areas of potential development will turn into areas of potential conflict.

Articles in journals such as the **Asian Wall Street Journal** and the **New York Times** are beginning to broaden interest in this field.

The next 12 months will see a range of international gatherings to discuss aspects of development in the region.

Meetings in Korea, Thailand, Indonesia, Japan, Australia and Hawaii have been arranged already.

One observation that becomes reinforced with each meeting report is the almost total absence of participating New Zealanders.

One major non-governmental meeting concentrating on Pacific regional matters, held annually since 1971, in seven of the region's countries, has had senior Australians at every meeting. New Zealand was represented at senior Foreign Affairs level on two occasions, but failed to have even one representative at the Canberra meeting in 1977.

Given New Zealand's exceptionally low profile, and our increasingly insignificant political performance at the international level, there is a danger our interests will be overlooked.

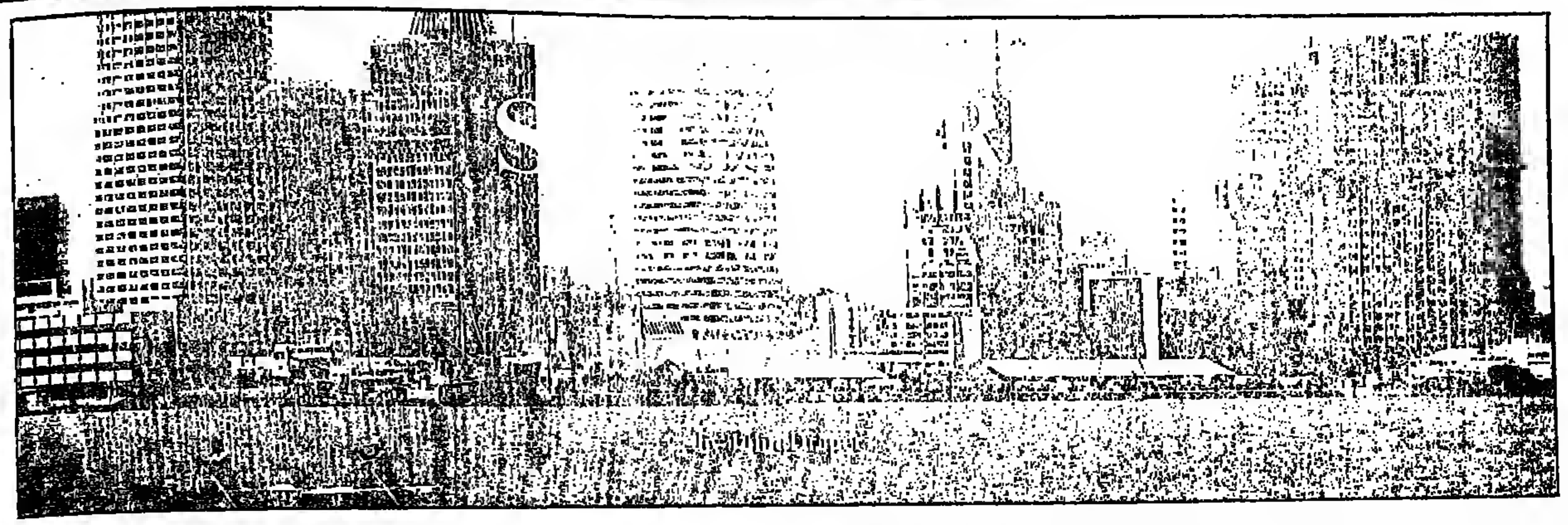
With both Japan and the United States heaitant to take the initiative, there is growing talk of a leadership role being taken by Australia or by an ASEAN country such ns the Philippines.

Unless more and a wider range of New Zealanders become involved in regional affairs, we will easily be forgotten, and may open day wake up to find ourselves jilted hy the Australian heman we have been coyly wooing.

There is no doubt that Japan and the ASEAN countries are well awnre of the importance of Australia.

And with the United States beginning to think in regional economic terms rather than military ones, she too is starting to pay more attentioa to the Australinn position.

New Zealand will aeed to work out its independent policies and priorities and operate with political skill to ensure that our interests are taken into account in any regional community that may evolve.



Hub of Asia: a vision becomes reality

ROB MULDOON and Lee Kuan Yew are good friends.

Both men share the same vision: that of leading their nations to economic health and wealth.

But there the similarity ends. Muldoon can only dream of Singapore's economic miracle and the powers his friend has used to achieve it.

All the powers of the National Development Bill and more can be brought to play by the Singapore Government should anything or anyone try to hinder the country's future prosperity.

Foreign investment, on which the country's prosperity is built, is seduced by Singapore's excellent geographic location, its stable political environment and the promise of tax-free holidays.

Competition rules the marketplace with free access for goods and materials from all over the globe. The Government controls wages through the tripartite National Wages Council, and labour through wideranging industrial laws designed to keep strikes to a minimum.

That Singapore's 2.34 million inhabitants tolerate a Government which is unopposed in Parliament or in public, is a measure of the prosperity it has achieved, and of the vigilance of the State security forces.

Singapore is a democracy, and opposition parties other than those with communist sympathies are tolerated. Foreign observers do not doubt that the predominantly Chinese population will vote the ruling People's Action Party (PAP) out of office if it fails to deliver.

The Chinese respect strong dynasties, observers claim, and the People's Action Party is just that.

From a seething entrepot port, with its own special blend of oriental magic captured by Somerset Maugham, Joseph Conrad and others, has arisen a modern city.

But the mystical oriental air has vaporised in the clinical cleanliness of the towering blocks reaching for a better Singapore.

It is the missing factor even the planners are noticing. The Singapore Tourist Board is battling with the Urban Redevelopment Authority to stop the latter bulldozing the still thumping heart of Chinatown to make way for a European-styled plaza.

A "Speak Mandarin" campaign is in full swing after the suggestion from Lee that dialects were a bore. Simplicity is not the only reason the campaign has quickly been supported by trade unions and business. A common language will provide a unifying cultural base for the whole community.

Campaigns are a subtle way of changing attitudes where laws might otherwise fail. "Be courteous" is the latest to sweep the island. Posters, bumper stickers and hoardings implore one and all to be more courteous.

Others have been equally successful all gently pushed by the Ministry of Culture. The *Straits Times* can now be seen to translate the Government's aims into bold front page lead articles. "The Golden Rules" led *The Sunday Times* one week recently, setting out the key pointers in a moral education programme covering "personal behaviour, social responsibility and loyalty to the country".

Education is the key to personal success in the thriving economy. Middle aged people who missed out now drive taxis, "because there is nothing else we can do", or work at other jobs with limited prospects.

The Government admits it failed to put enough emphasis on education in the 1960s. Now it is an integral part of economic planning, and university and polytechnic courses are co-ordinated to future indukkstrial aspirations.

Singapore's economic miracle is carefully constructed. To overcome a basic trading deficit (inherent because of the need to import most foodstuffs — even water), banking, insurance, and tourism have been fostered to cover the gap.

Transport and communications is now unrivalled as the fastest growing sector in the economy. Singapore Airlines' rapid takeoff since formation in 1972 is the main thrust.

Growing in importance is telephone communications. Singapore is one of the half dozen key points on the world's international telephone/telex/telecommunications network.

Most traffic to and from New Zealand going into "West Asia", or beyond to Europe, passes through the island.

Despite its growing "un-Asiatic" appearance, Singapore regards itself as the hub of Asia. West Asia stretches to the Middle East and supplies the republic with oil and a small but growing flow of wealthy visitors. From East Asia come the Japanese with their investment dollars and tourist yen.

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If so, it's time you took stock of your dictating needs and discovered how best to maximise the efficiency of your office practice.

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Lanier is America's number one in the dictation field. They have the experience and knowledge gained from competing in the world's toughest market place.

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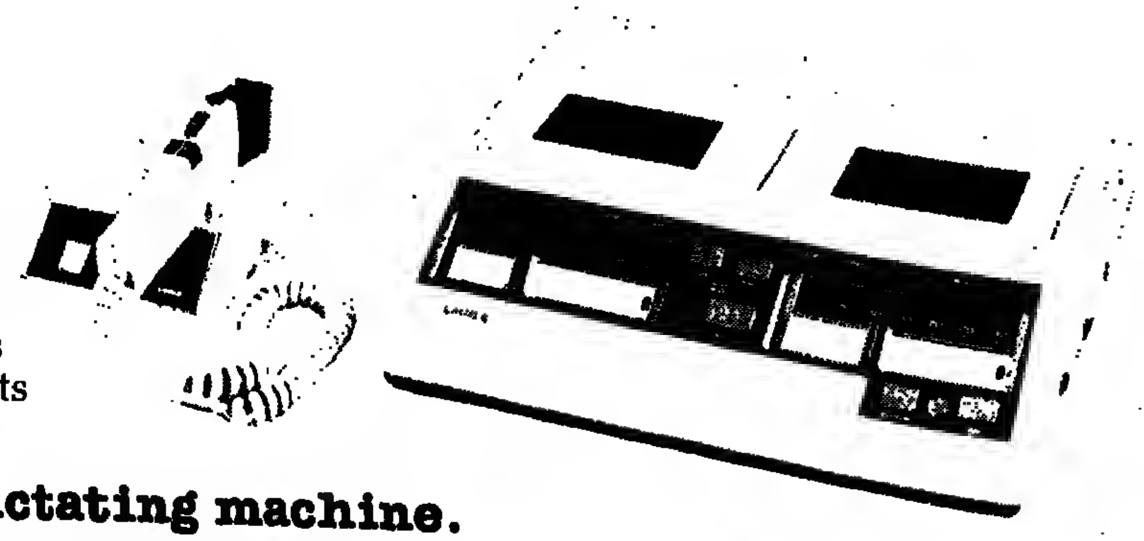

There's nothing quite like Action Line **the most advanced dictating system available.**

Its superb sound quality has to be heard to be believed. And its versatility will amaze you.

Action Line is a dictating machine.

It is a compact desk-top input unit with microphone that gives you **fingertip control** to edit, review, correct, pause, reverse and instruct, **and dictate whilst your secretary is transcribing.**

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The microphone also gives you the facility to talk directly to your secretary —

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Action Line's transcriber unit allows your secretary to know exactly **how many** dictation pieces there are, and your **special instructions.**

What's more, the unit will record your messages, to your secretary whether she's there or not.

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The Courier is the very latest pocket mini-cassette recorder from Lanier.

And it has some pretty remarkable features for a machine so reasonably priced.

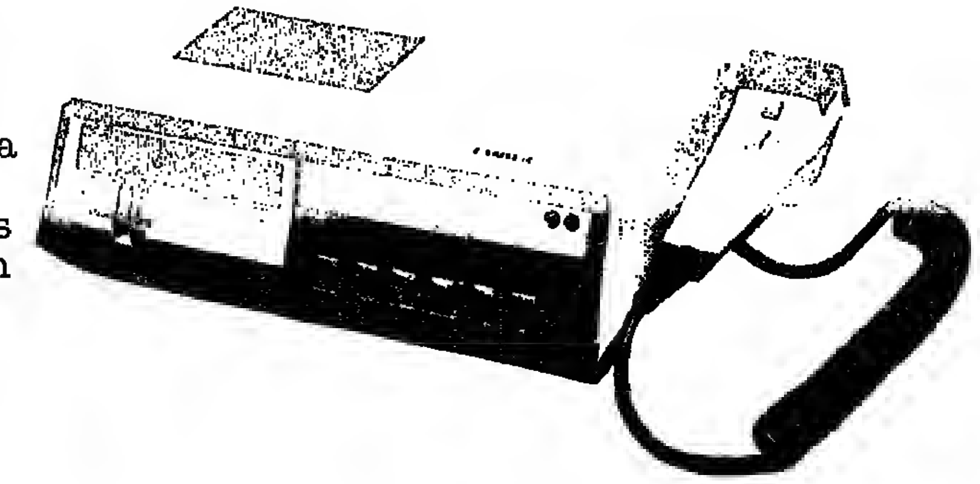
It takes mini cassettes. And the sound is excellent.

Record your voice at normal pitch in a busy office or street and play back. You'll be amazed by the clarity of your voice.

The Courier has convenient **one button operation for stop, play, forward scan and rewind.** What's more, a red light shows when you are recording.

Measuring a handy 5" × 2½" × 1" the Courier has an aluminium case for **stylish good looks** that can stand the knocks of a busy life.

The Regent



The Regent provides a sophisticated **desk-top dictation/transcriber unit** at a modest price.

As a dictation unit, the Regent offers one-button control for record, stop, listen and rewind modes.

And its electronic cueing device permits the insertion of special secretarial instructions at any time during dictation.

The Regent has visual indexing, telephone and conference recording facilities, tape speed control for both typist and originator, and automatic power shut-off.

As a transcriber, the Regent has electronic scan which can automatically signal special instructions prior to typing.

There's adjustable recall for reviewing and partial audio to make place finding easier.

You'll have to admit that these three machines sound impressive. But in an advertisement such as this, one cannot hope to convey their real advantages. For that you have to use and listen to the machines themselves.

So why not ask for a Lanier demonstration, it's yours with no obligation. Just call your nearest Kerridge Odeon Business Equipment Branch and our Lanier people will arrange a free demonstration of equipment to meet your needs. If you call us tolls collect, we will put you in touch with your local Lanier Distributor.

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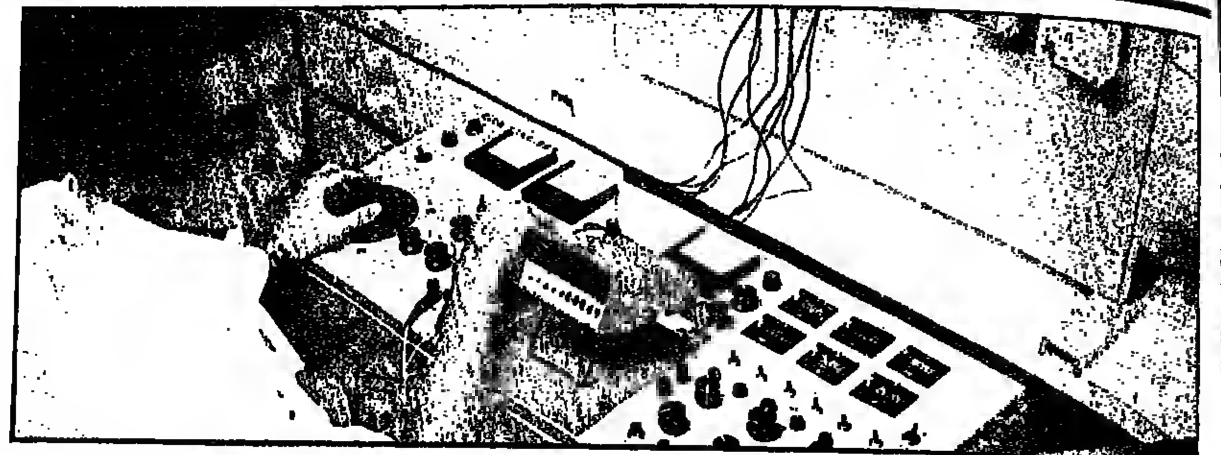
Labour force lures foreign investment



Education is geared to producing high-technology skills

A STRIKE-FREE, industrious labour force is the image Singapore boasts to lure foreign investment dollars by the billion.

And of late there are few recorded stains on the industrial record – the last official strike was in 1977.

It was not always so. In the early 1960s, loose alliance of trade unionists, nationalists and communists who had fought the British for the right to self- government, provided a troublesome opposition to a growing nation.

As counter to the militant Singapore Trade Union Congress, the moderate National Trade Union Congress was established with the backing of the ruling People's Action Party (PAP) in 1961.

Strikes declined markedly as the NTUC gained control, and the Government hunted down communists and other subversives.

In 1968, seeking to ensure that the country remained a good investment centre, the Government – with the support of the NTUC – passed an industrial relations act, which severely restricted the right to strike.

Arbitration became compulsory in industrial disputes. Management's right to hire and fire workers was restored by statute. Working hours, which the unions had managed to reduce to 40 a week, were increased to 44 and overtime was cut. Fringe benefits were drastically pruned – including retirement for maternity and sick leave.

A year later, Devan Nair, a former associate of Prime Minister Lee Kuan Yew, returned from overseas to become the general secretary of the NTUC. Nair had been largely responsible for a series of cooperative ventures operated under the NTUC umbrella.

INCOME provides life assurance, DENTICARE dental treatment; COMFORT operates more than half the island's taxis; WELCOME operates nine supermarkets offering bigger discounts than most, and effectively controlling the rice price.

As a trade union centre, the NTUC has 225,000 members in affiliated unions, about 40 per cent of the organisable workforce. With Government backing, it has encouraged the unionisation of many workers, one of its most recent successes being Air New Zealand's office staff.

But the NTUC is opposed to the closed shop, as it "smacks of totalitarism". Nair, as general secretary, has considerable powers, including the right to veto appointments recommended by constituent unions if the candidate is thought to be a communist. The power has not been exercised in 10 years.

Wage bargaining is limited. The NTUC sits with employers and Government official representatives on the National Wages Council under the independent chairmanship of Professor Lim Chong Yah to make recommendations to Prime Minister Lee.

All three parties can make representations to the council which conducts its meeting behind closed doors. Usually the Government makes its thoughts known to the parties early on. Nevertheless, the Government has not always chosen to accept the council's recommendations. Professor Lim, as the independent chairman, says his aim is not to satisfy one faction or the other. "I try and get a consensus that I consider is good for Singapore," he said.

The rates struck by the council are only guidelines. But in recent years they have been implemented by the Government (the major employer), all statutory bodies and most foreign companies. Local firms are more reluctant to follow the guidelines. Employers usually calculate the percentage rise on their total wage bill, after deducting any long-service payments or other increments made during the year.

The council also urges employers that "wage adjustments should not be given to employees, irrespective of the individual's contribution to the collective effort".

"To promote productivity the council recommends that employees whose performance in terms of measurable output is unsatisfactory should not be given the wage adjustment," the council says.

And where productivity is not easily measurable, the council urges employers to have regard to "work attitudes", including attendance, punctuality, and observance of safety regulations when implementing the pay rise.

The last recorded strike in Singapore was in 1977, when 1011 mandays were lost in one dispute. This year's wage negotiations were not completely untroubled, and caused one four-hour stoppage before the Ministry of Labour's arbitration service intervened. That dispute is unlikely to appear in the official statistics as a strike. Once the Ministry intervenes, the strikers are required to work normally while officials try to obtain a settlement, or if made to do so, refer the case to the Industrial Arbitration Court.

Major employers are bound to follow the Government's pay directions. This year's 20 per cent increase was not welcomed by many.

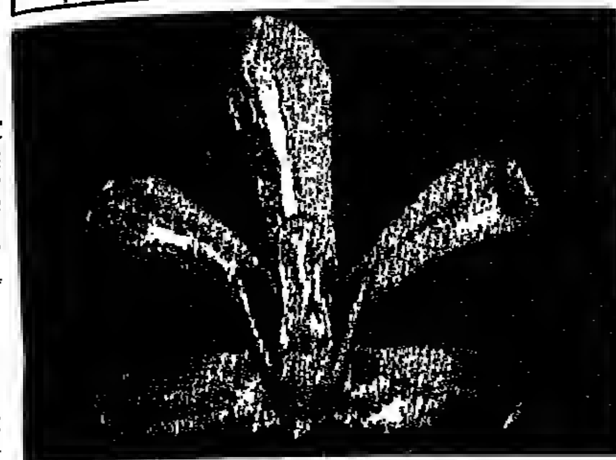
This firm control is not without its benefits. The central plank of the People's Action Party's philosophy is to develop Singapore for the benefit of all its people. And the rewards flow through modern housing and a rising standard of living.

Economically, there is full employment. Unemployment has dropped to an all-time low of 3.6 per cent, and is unlikely to go lower.

Education is geared to producing the skills needed to take the country into the mid-to-high technology phase it is seeking. And where the expertise is not available locally, students are sent overseas to study.

Further technical training is provided at three Government centres sponsored by multinational companies, which have agreed to employ a proportion of those passing through.

Big-business battalions move in



Gold-plate native flowers are produced for the home market

Lee Kum Tatt

Food products developed under the auspices of SISIR

FOR years, a Singapore posting has been every young soldier's ambition, and the New Zealand army's main recruiting bait.

The soldiers are still welcome, though they have been told to go whenever they wish. They are now being replaced by the big-business battalions from Japan and America, and in growing numbers, the New Zealand platoons.

Singapore is effectively New Zealand's export frontier, with Australia conquered and the cold threat of recession pressing. Relationships between the two countries have been warm and friendly, despite being at opposite ends of the trading spectrum.

Singapore is the shining example of a fast growing, open economy; New Zealand is heavily protected, with a seemingly incurable dose of economic ills. Yet Singapore offers the tonic which could lead to our better health.

Trade between the two countries is growing fast. Last year, New Zealand exports jumped by 40 per cent to $55 million. A relapse to a still remarkable 20 per cent growth rate is expected this year, the same level as for the three years 1975-1977. Singapore is not pleased that its main export to New Zealand is oil and aviation fuel, even though the balance of trade is in its favour. It is particularly critical of the import licensing system, which restricts more rapid growth in trade.

Nevertheless, the relationship is strong and embodied in a unique relationship.

SINTESD (Singapore/New Zealand Agreement for Industrial, Technological and Scientific Co-operation), signed in 1976, allows for a free and ready exchange of technical information, training and industrial cooperation.

Its history goes back to the Colombo aid plan, under whose auspices the Department of Scientific and Industrial Research set up the Singapore Institute of Standards and Industrial Research (SISIR).

When the aid programme expired, both governments wanted to keep alive the close cooperation between SISIR and the DSIR. SINTESD was the result.

Laurie Cameron of Tatra Industries was roped in as the New Zealand coordinator and his Singapore counterpart is SISIR's director, Dr Lee Kum Tatt.

Singapore saw the agreement as an instrument to promote industrial and commercial cooperation, with the view to getting New Zealand investment into Singapore. From the New Zealand end, the opportunities and benefits of offshore enterprises were beginning to dawn.

The first project marrying the ideals of the agreement was to develop an Oriental TV dinner, using New Zealand vegetables and meats. It was a flop.

But not all was lost. One Singapore manufacturer is now producing deep frozen dim sims, a meat-filled Chinese savoury dumpling.

On the scientific and technical side, the relationship has blossomed, with the interchange of scientists, students, technicians, apprentices and teachers.

Industrial cooperation is taking longer to achieve. Cameron puts the slow growth down to differing attitudes.

In 1976, he says, the Singapore Government was primarily interested in attracting investment from the multinationals. Little incentive was given to the indigenous businessman and manufacturer to get into exporting. Lately, the Government has realised that small entrepreneurs have a part to play.

Cameron says that New Zealand exporters were not particularly interested in the market, other than for traditional primary products.

A stagnant home market and little prospect of further growth in Australia brought Singapore into view.

The results have been startling. Twenty-three companies are already established in Singapore, either in joint ventures or with their own offices. Another three are on the verge of going and many more are investigating the opportunities.

So far SINTESD has sent two delegations in each direction. The first from New Zealand was essentially a trade mission looking for partners and markets.

The second which got a lukewarm response from the SINTESD coordinator, organised a mission of bankers, financiers and others who provided support services to manufacturers.

The mission was deemed a success, as the bankers brought back an appreciation of the investment opportunities in the fast expanding market.

In 1976, a Singapore mission came to New Zealand and met with 50 companies in "meaningful discussions". But nothing happened. A second delegation earlier this year went home amazed. Initially its members were delighted to find such a wide industrial base in New Zealand, and then they were horrified at its diversity.

The first positive link under the SINTESD agreement is opposite to that anticipated. Instead of New Zealand technology marrying Singapore marketing expertise, Tatra Leather Goods Ltd of Wellington is joining with the commercial arm of SISIR to gold-plate native flowers for the home market, and export through the South Pacific.

But up to 10 other agreements taking New Zealand expertise to Singapore are close to being signed.

The Singaporeans are critical of the cautious New Zealand approach to the South-east Asian market. Detailed market research demanded before joint venture agreements are signed is seen by the Singaporean partners as an unnecessary obstacle. New Zealand's timidity to invest unless there is a 100 per cent chance of success is also exasperating to the mainly Chinese businessmen who live by entrepreneurial skill and a strong family network. Selling is their business in a market they know.

Despite the drawbacks, both governments are satisfied with progress. Much of the satisfaction derives from the greater recognition by the Singaporeans of the need to develop small and medium-sized businesses, and the greater awareness amongst New Zealand companies that there are markets with more potential than Australia.

A number of Singapore companies are interested in marketing New Zealand products, or manufacturing under licence before getting involved in joint ventures.

SINTESD comes up for renewal in 1981. Singapore is keen for the scientific cooperation to continue but sees little need for the industrial and commercial section of the agreement to be renewed.

But for New Zealand, the benefits are reversed. No agreement is likely to be signed unless the commercial aspects continue.

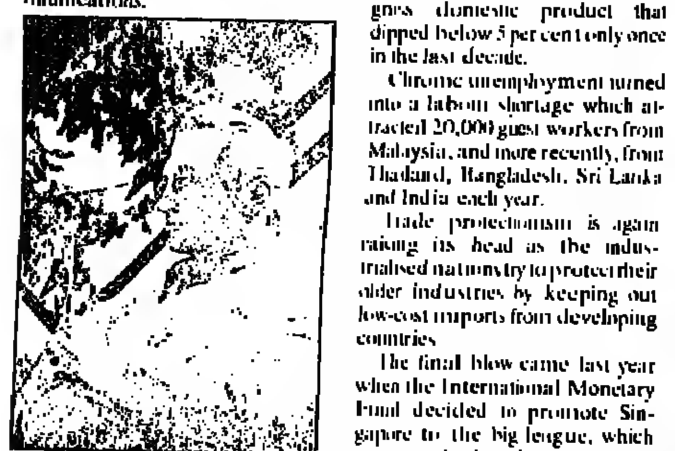
Cameron is already advocating a similar agreement with other countries in South-east Asia. South Korea, he says, would be a good partner for a second agreement.

Meanwhile he is urging the Government to consider offering New Zealand firms incentives similar to those given to exporters for setting up factories in Singapore.

The economic miracle – Singapore style

TAKE a small island lacking even the most basic resources of food and water and put two million people on it. Will they survive? Singapore and its people have.

Chosen as a base to protect British interests in South-east Asia, Singapore is the world's most important cross-roads, not only for shipping, but for air travel and more recently for telecommunications.



Sir Stamford Raffles

Founded in 1819 by Sir Stamford Raffles, Singapore was once a trading post for the East India Company. The island state now ranks among the world's leading industrial nations, boasting a high standard of living, low inflation, high growth and healthy foreign reserves. But its trading heritage is not forgotten. It claims the third-largest port in the world.

Singapore's transformation – or, to use the 1979 phrase, restructuring – has taken little more than two decades. And not satisfied with the remarkable achievements, the Government is ordering the economy to be rebuilt again.

Back in the late 1950s, Singapore was rapidly becoming a seedy, declining entrepot port, with high unemployment and slum housing.

Home rule was granted in 1959, but progress was slow and in 1963 the country sought the shelter of the Malaysian Federation. Two years later, a double shock stunned the tiny nation: Malaysia expelled the island from the Federation because of the disruptive economic and social strains caused by its predominantly Chinese population; then the British Government announced the closure of its Singapore bases, the island's largest employer and economic mainstay.

To survive, the Government embarked on a two-prong programme: industrialisation and housing. It might be termed by historians as Singapore's first industrial revolution. The second is already underway, barely 14 years on.

The theme is the same: survival, this time threatened by the success of the first revolution.

Throughout the 1960s, Singapore was renowned as one of the cheap labour markets in the world, along with Hong Kong, Taiwan and South Korea.

Multinationals, lured by tax holidays, invested millions in labour-intensive industries, which produced a real growth rate in gross domestic product that dipped below 5 per cent only once in the last decade.

Chronic unemployment turned into a labour shortage which attracted 20,000 guest workers from Malaysia, and more recently, from Thailand, Bangladesh, Sri Lanka and India each year.

Trade protectionism is again raising its head as the industrialised nations try to protect their older industries by keeping out low-cost imports from developing countries.

The final blow came last year when the International Monetary Fund decided to promote Singapore to the big league, which meant enjoying the advantages and, more ominously, the disadvantages of a fully developed nation.

Singapore argued against the early accolade, which would have meant losing the 6 per cent tariff advantage it enjoyed exporting to the industrial west.

Singapore won another season with "developing" status, but the Government is already preparing for promotion. This year, it accepted a recommendation of the National Wages Council to increase pay rates by 20 per cent and it made it plain that a similar hike can be expected for the next two years.

Labour-intensive industries wanting to set up on the island are politely being told: "Singapore is not for you. Try Malaysia or Indonesia."

New capital-intensive, high-technology, industries are on the Government's shopping list. Aviation is one target for the five-year plan covering the early 1980s. Air travellers might yet be flying in a Boeing, at least partly "made in Singapore".

Government planners doubt whether restructuring will affect the country's lifeblood, foreign investment. There is more than S$3 billion (NZ$1.48 billion) in the pipeline, S$2 billion for petrochemicals alone, providing fewer than 40,000 new jobs.

Nor is it worried that high pay rises will boost inflation. A completely open economy (with a few exceptions for developing industries) means that a higher demand for goods will not result in higher prices. Imports are expected to rise, with up to 60 per cent of this year's pay increase going on consumption while the balance is saved.

Inflation this year is expected to be less than last year's 5 per cent, and possibly as low as 3.5 per cent.

The oil crisis left Singapore relatively unscathed, compared to most oil-importing nations. It did delay the second industrial revolution, the switch to high technology industry, as the country fought to stave off the effects of 1973's 20 per cent inflation and the decade peak of 22 per cent in 1974. Much of the latter rise was due to the failure of the Thai rice harvests, which sent prices soaring. Singapore imports all its rice and most of its other staple food stuffs. When rice prices dropped in 1976, so did inflation – to 2 per cent.

Planning stretches to all corners of Singapore. The country has a reputation for thinking five years ahead. Education, which Prime Minister Lee Kuan Yew admitted recently had not been given sufficient priority in the 1960s, is now being geared to produce the skills needed for restructuring.

Fifty students will be selected for a new computer course at Singapore University next year.

Lee in his speech at this year's National Day rally, urged the use of two languages instead of four. He said: "Our whole economic future depends on our educational standards, the levels of skills and professional standards we can attain . . ."

Lee, who fought with the communists against the British for independence in the 1950s, and is now one of the most respected Commonwealth leaders, has led Singapore since it became self-governing in 1959.

His hand has been firmly on the tiller ever since. Observers say that to describe Singapore as a police state is a mistake, even though opposition under the communist banners is not tolerated. In *Singapore 78* the Government-published handbook, the section covering security details the arrests and confessions of suspected communists and sympathisers.

The ruling People's Action Party (PAP), which holds all 69 seats in Parliament, is now hunting for a successor to Lee, who is expected to retire some time after the 1981 elections. Already a new breed is being groomed for the leadership to ensure a smooth transition of power without upsetting the foreign investors.

Lee is increasingly taking a back seat. He allowed the cabinet to make its own decision on the National Wage Council's recommendation while he was overseas. On returning, he criticised the result for giving the workers too much. "There are problems giving people more money earlier than they need it." But the decision stands.

Lee's success (and there hasn't been an official opposition elected since 1968) is founded on the country's growing prosperity. Observers doubt if the PAP would have been returned with such an overwhelming 72.4 per cent of the vote in 1976 had the economic miracle shown signs of lagging.

Lee Kuan Yew

But there are hints of an opposition revival. In a recent by-election, the PAP candidate polled only 75 per cent of the vote, whereas over 90 per cent is more common in by-elections, and most of the opposition candidates retained their deposits.

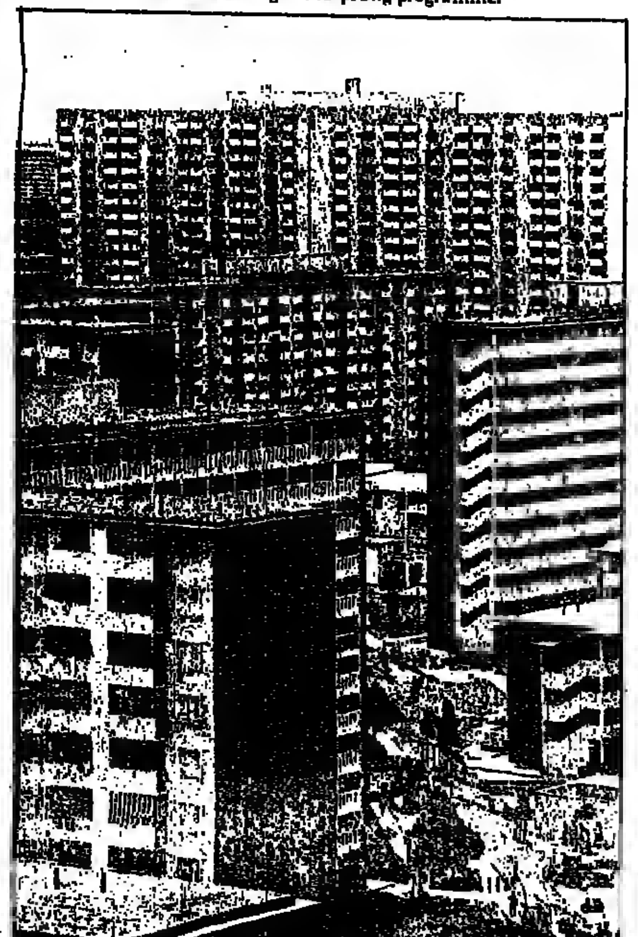
How long can the economy maintain its heady 7 and 8 per cent growth rates in real terms?

Planners are confident that the economy will remain unaffected by oil crises or by the tendency towards trade protectionism evident at the recently concluded GATT multi-lateral trade conference in Geneva.

A low inflation rate compared to the rest of the western world will ensure that Singapore's exports remain competitive, while the switch to higher technology will evade the trade barriers designed to prevent developing countries from undercutting the older industries of the industrialised nations.

That the country will face problems in the future is not in doubt.

"The nub of the problem is how to find the problem solvers. We are not indestructible," he said recently. "There comes a time when the baton must be handed over. Whilst new problems will be different, the wherewithal and the processes of solving them are the same."



Industrialisation and housing: a two-prong programme.

Guest workers were attracted by a labour shortage following chronic unemployment.

Area: 590 sq. kilometres
Population: 2.34 million
GNP: NZ$8.3 billion
GNP per capita: NZ$3550
Imports: NZ$14.096 billion
Exports: NZ$10.945 billion
Imports from NZ: $41.3 million
Exports to NZ: $48.3 million

Restructuring: not child's play, nor cure for sick economy

RESTRUCTURING is not the cure for sick economies, according to Singapore's leading economist, Professor Lim Chong Yah.

To restructure successfully, governments must start from a position of economic strength, as Singapore is doing, he told *National Business Review*.

"Many countries cannot restructure as we set out to do, because they have firstly, serious unemployment, secondly, serious inflation, and thirdly, serious balance of payments problems."

Added to that is the more serious non-economic problem of a lack of political cohesion and unity essential for a successful restructuring to take place, he said.

"It is much more difficult, if not impossible, to restructure if there is a confrontation between the Government on the one hand and the trade unions on the other."

Professor Lim named Britain and Australia as two countries "plagued" by internal division. He claimed to lack detailed knowledge of the New Zealand economy.

Retrenchment and redundancy were likely to follow any serious attempt at restructuring as some firms closed down or restricted operations.

In a growing economy, where there was already a shortage of labour, as in Singapore, unemployment would only be a temporary phenomenon, cushioned by new job opportunities.

Inflation, another restructuring by-product, would be worse where local industry was protected from foreign competition by import quotas or tariffs, Professor Lim said.

Faced with the oil crisis in 1973, when restructuring for the second time was about to begin, the Singapore Government delayed the programme for six years. Now with the worst years of inflation over, a transition from labour-intensive to high-technology, capital-intensive industries is gathering momentum.

Unless Singapore took that road, she would be faced with increasing competition from labour-surplus economies as they industrialised, Professor Lim said.

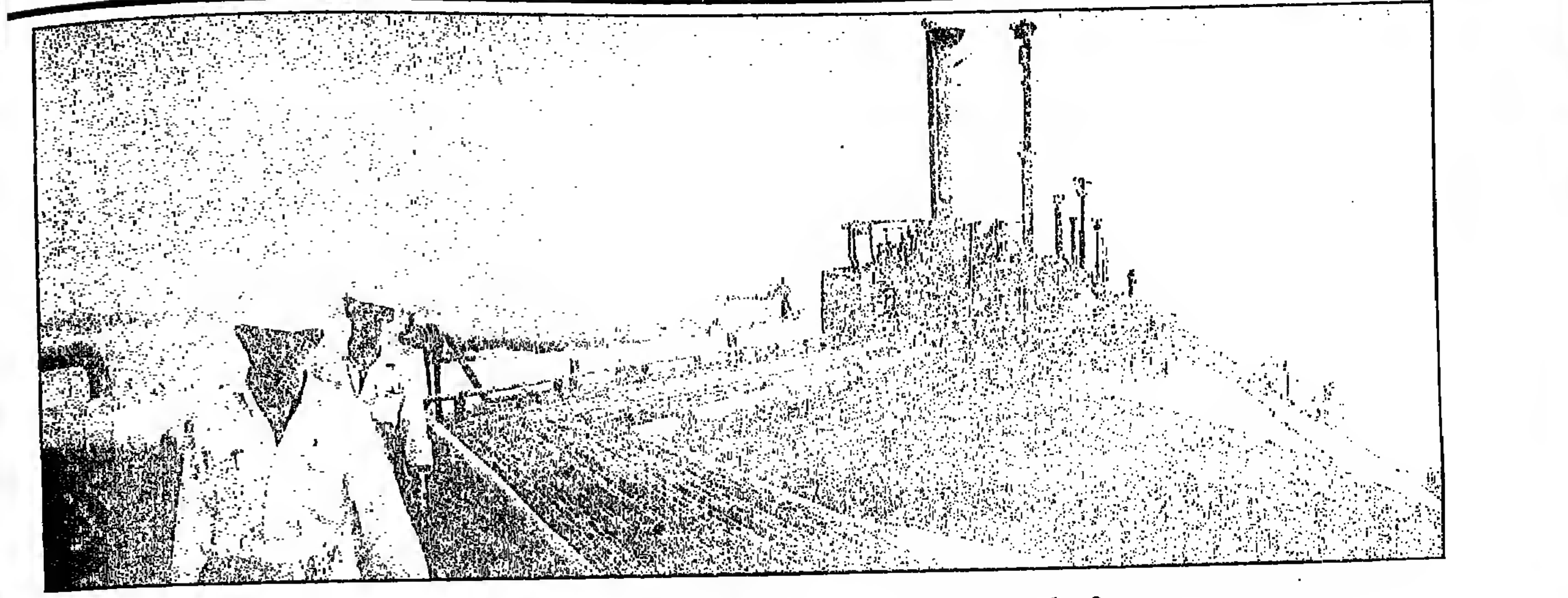
Developed countries are once again resorting to protectionism, erecting barriers against the imports of labour-intensive manufactured goods from developing nations. Falling productivity (the real growth rate is lower than that in South Korea, Hong Kong and Taiwan) is giving further impetus to the restructuring demand.

To start the revolution in earnest, the Government has approved a 20 per cent increase in wages, and signalled similar rises for the next two years. Even for Singapore there are pitfalls. Not all employers pay the rates recommended by the National Wages Council and endorsed by the Government.

Professor Lim concedes there are dangers, particularly from firms whose inducement to mechanise is blunted by the higher profits resulting from a rising demand for their goods as people spend more.

"Restructuring is by no means child's play. It is difficult. It is tough. But our productivity must go up. We must remain competitive in the short run as well as in the long run.

"We cannot wait to be forced out in world competition," he said.



One-stop shops for potential investors

NEW Zealand's Department of Trade and Industry overseas investment unit is a belated arrival on the world scene.

Compared to the Economic Development Board in Singapore and the Federal Industrial Development Agency in Malaysia, it is still a babe.

Both agencies have been actively canvassing manufacturers and directors of foreign capital to invest in Singapore and Malaysia for years. Their economics depend upon it.

Potential investors are wooed with the promises of tax-free holidays, cheap and skilled labour, low factory rentals and power concessions, among others.

Both the EDB and FIDA are essentially one-stop operations for potential investors, easing the path to a speedy start to production.

Singapore's EDB is more than just an investment unit. It has overall control of economic planning, selecting growth areas and even the firms it would like to see invest in Singapore's future.

EDB was launched in 1960 with a brief to find labour-intensive industries to soak up high unemployment and to cut imports.

Britain's withdrawal of troops had sent shock waves through the whole economy, threatening the jobs of 20,000 who were employed in the dockyards and bases, and depriving Singapore of its single largest source of overseas earnings.

But from a potentially disastrous setback sprang much of Singapore's electronics and ship repairing industries. Since then the economy has been riding on its own momentum, intensifying its industrial base. More than $1.5 billion of new investment is in the pipeline.

Now that restructuring has begun in earnest (for the second time), and the country is switching from low-technology, labour-intensive to medium- to high-technology industries that are essentially capital intensive, the board is planning for the 1980s.

Two plans are being prepared: a 10-year projection, and a more detailed five-year plan.

In the immediate plan to the mid 1980s, an aircraft industry is considered desirable. To provide some of the technical skills needed, an aeronautical engineering department has been set up by one of the polytechnics.

Ideally, the board would like to set up a one-stop overhaul capability for jetliners to serve the region. Singapore Airlines' own maintenance base is aiming for a 98 per cent capability.

Boeing is going to open a spare parts depot on the island, only the second outside the United States.

A full-scale aviation industry, building aircraft under licence, is unlikely but the board is considering the possibility of attracting sub-contractors to the world's big jet builders.

Armed with a shopping list of desired activities, the board has been contacting selected companies to suggest investment in Singapore.

The board's desired industries include chemicals, pharmaceuticals, machine tool makers, transport equipment, automotive components, optical and medical equipment.

After finding a willing investor, the board passes it on to the Jurong Town Corporation for execution. The corporation administers one-tenth of Singapore, an area that was formerly swamps and jungle clad hills. From it has been carved a modern industrial city, and now 20 other industrial sites have been added to the town's control.

The town can offer any investor a standard factory building off the shelf. It keeps a stock of 50 ready for almost instant occupation, and claims that within a month of formal agreement's being signed, production can be under way.

The units, which are popular with Japanese manufacturers, can be either leased or bought. Leases are calculated at 6 per cent of the land value a year, from $44.10 a square metre, and can be taken out for five or 60 years.

Alternatively, the town can offer a site from its 1000 hectare land bank, with roads and main services laid on. So far, the corporation has developed 5000 hectares.

Bounded by an army training area to the north and the city to the east, the town is already considering reclaiming 700 hectares from the sea, but preliminary costs are prohibitive.

The town's early days of the 1960s were not a great success. No one wanted to live in the new town, thus making labour for the new factories difficult to obtain.

But when social facilities, shopping centres, food markets and parks had been developed, people started living in the 10,000 units which had stood empty for several years. In desperation, some blocks were leased to the armed forces, which are now showing a reluctance to leave.

To attract the executive, a country club with golf course, swimming pools, and other sports facilities was built.

Foreign investors are lured to Singapore by a wide range of tax incentives. Firms willing to manufacture products not already made in the republic are granted pioneer status, ensuring a tax holiday of up to 10 years. Tax relief can also be granted to companies making a substantial contribution to exports where sales are above S$100,000 and not less than 20 per cent of total sales.

Neither Singapore nor Malaysia places any restrictions on the remittance of profits overseas to parent companies.

Malaysia's Federal Industrial Agency combines both aspects of Singapore's Economic Development Board and the Jurong Town Corporation, though it has developed into a one-stop investment centre comparatively recently.

High level investment missions, often led by the deputy prime minister, are sent around the world to seek out foreign investment.

FIDA has prepared a list of industries it wants to see developed in Malaysia and the areas it sees most suited for the plants.

Malaysia's advantage over Singapore is its cheaper labour, though wages for administrators and managers can be higher. With unemployment of about 6 per cent and vast natural resources, Malaysia is offering itself for development with foreign capital and expertise.

Generally, would-be investors are expected to set up a Malaysian subsidiary with a proportion of "bumiputra" capital – a shareholding by Malays. Exceptions are made for industries deemed desirable or exclusively for export.

There is no competition with Singapore for foreign investment. Singapore is one of its northern neighbour's top five investors. New Zealand ranks twenty-fourth.

In 1978, 429 approvals for new investment were given by FIDA, 26 were for wholly foreign-owned companies, and necessarily 100 per cent engaged in exporting, 206 were joint ventures, and the remaining 196 were wholly Malaysian-owned.

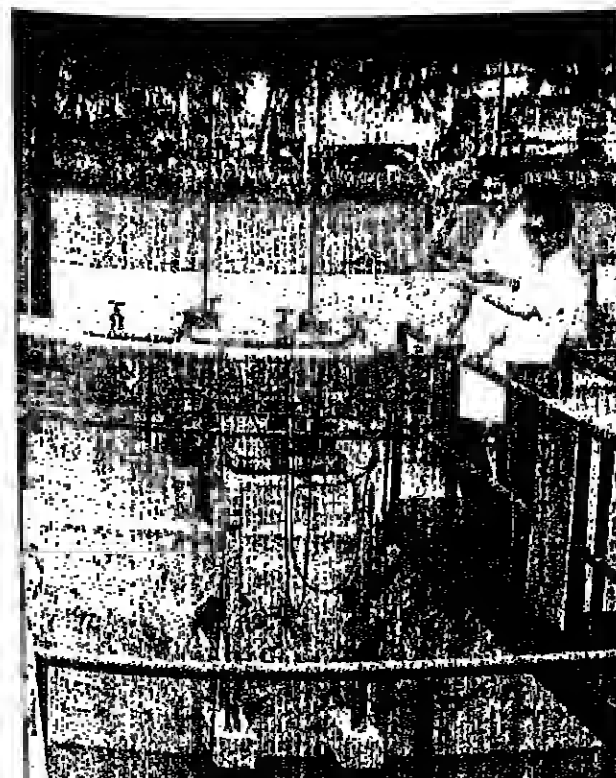
A wide range of incentives – depending on the size of investment, the number of jobs created, the status granted and the location – are offered.

In total, a firm choosing a site in a development area can qualify for a 10-year tax-free holiday.

Food manufacturing is attracting the greatest number of foreign investment proposals; next comes wood-based industries; textiles, chemicals, electrical and electronic industries are also favoured.

Export-oriented rubber-based industries are now being sought. Out of the 1.6 million tonnes of natural rubber produced in Malaysia, only 37,000 tonnes is used in local manufacturing, 2.5 per cent.

So far, New Zealand's own overseas investment unit has been given only a limited advisory role, without executive powers to coordinate potential investment projects, nor to actively seek them.



Textile plant . . . favoured by foreign investment.

Tax holiday makes Malaysia attractive

NEW ZEALAND's double-figure inflation is making Malaysia an attractive operating base for Christchurch's PDL Industries.

PDL's executive director Don Sollitt claims the company would almost certainly have lost its Malaysian market had production not commenced there.

"We have a classic cost squeeze. Prices are inflating faster in New Zealand than our ability to put up prices," he said.

Malaysia's inflation is also rising, to an expected 6 per cent this year.

"The economy there is also in better shape," Sollitt said.

PDL has been granted pioneer status and a five-year tax free holiday. One of the prerequisites was that 80 per cent of the production be exported. But the domestic Malaysian market is expanding too fast to keep pace with the building industry % aiming to complete 100,000 units a year % and terms have been renegotiated.

Now 60 per cent must be exported. From Malaysia, PDL is pushing into the Middle East, developing a range of products conforming to British standards. There is also a flow-on effect for the New Zealand parent in the form of more componentry sent to Malaysia.

"On the surface, Malaysia looks very good," Sollitt says.

"But dealing with the bureaucracy is very difficult. Nothing is easy." Communications with the Government are usually conducted in the Malay language, Bahasa.

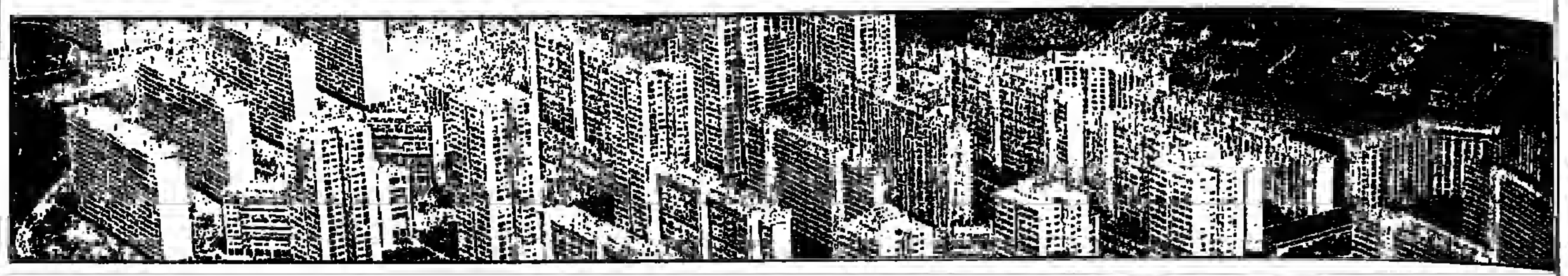
Duty paid on some of the componentry takes 14 months to recover on goods exported, and both customs and standards officials make frequent random checks at the factory.

An initial lack of "bumiputra" capital left PDL with an 81 per cent shareholding in the Malaysian registered company. Now that the factory is in production, the company has had to agree to reduce its shareholding, though it has done so by increasing capital.

"But the expanding market more than outweighs the disadvantages," Sollitt said.

Food markets . . . necessary in new towns.

Housing: development policy's cornerstone



FOREIGNERS used to joke that a Singapore man has one wife, two children, a three-roomed house, four wheels and a five-figure bank balance.

But the joke is more than a year old. Now Singapore man wants to live in a four-roomed house.

Already, blocks of one-roomed flats, built in the early 1960s, are being demolished to make way for the Singaporeans' rising ambitions.

Housing is the cornerstone of the country's development policy. The tall tower blocks clustered in new townships fulfil the Government's promise to distribute the spoils of the country's growing wealth.

But, more importantly, in the early 1960s they were an effective weapon against communism.

When the country became self governing in 1959, most Singaporeans lived in overcrowded and potentially seething slums. New homes attacked the communists' power base at the roots. Old communities were broken up as people moved into the new tower blocks, themselves an example of what the People's Action Party could do in Government.

In 20 years, the housing problem has been overcome. That is not to say the waiting list has vanished. The Government has decided that a two year wait for those wanting homes is desirable, if only to ensure that the existing housing stock is fully utilised.

More than half the 67,000 people on the Housing and Development Board's waiting list are estimated to be already occupying HBD flats, and wanting to move from three rooms to four.

The board, which houses two people in three, has a range of properties from the basic one-roomed flat of 33 square metres to a 123 square metre five- roomed flat selling for S$40,300 (NZ$19,190), with three bedrooms and an en-suite bathroom off the master bedroom. Bought from a private developer, the same flat would cost at least double.

Applications are graded by income. Those earning less than $240 a month can rent only one and two-room flats. For the next bracket, those earning up to $381 a month, three-roomed flats are available. Rents are restricted to 15 per cent of income.

Half the board's flats are at present three-roomed, though more four and five-roomed flats are now being built.

People with incomes above $361 dollars a month and below $1191 can buy only three, four, or five-roomed flats from the board.

The twentieth of the population earning in excess of $1191 a month (or $14,292 a year) must either find their own house or buy through another Government agency, the Housing Urban Development Corporation.

Most Singaporeans want to buy their homes from the HBD. Of the 67,219 people on the waiting list in July this year, 57,040 wanted to purchase and half the board's flats are privately owned.

Buying is painless. Since 1968, the Government has allowed contributions to the Central Provident Fund to be used for home buying.

Employees are obliged to contribute 16.5 per cent of their salary to the fund, and employers another 21 per cent. A deposit is deducted from a buyer's credit with the fund, and the balance of the purchase price is taken as a mortgage over 10 or 15 years at a 6.25 per cent interest rate.

The buyer does nothing. The transfers are automatic, from money he never sees.

The fund is a key element in the development of Singapore's infrastructure. Its huge size has enabled the Government to fund not only housing programmes, but schools, health and roads.

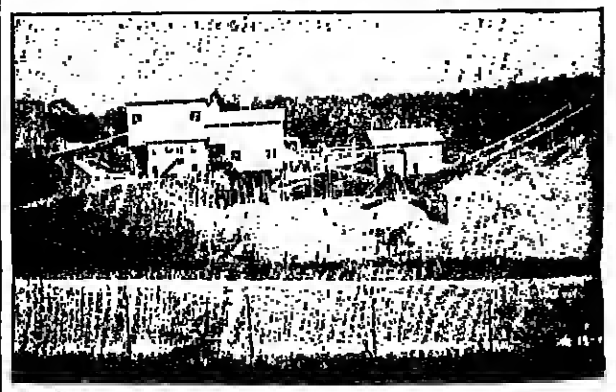
Pessimists forecast difficulties when a sizeable proportion of the young population reaches retiring age, 55, and wants to draw on the fund. Some will be owed more than a quarter of a million Singapore dollars, and minimum payments are likely to be in the order of tens of thousands of dollars.

The optimists claim that the economy's rapid growth rate will eliminate the problem.

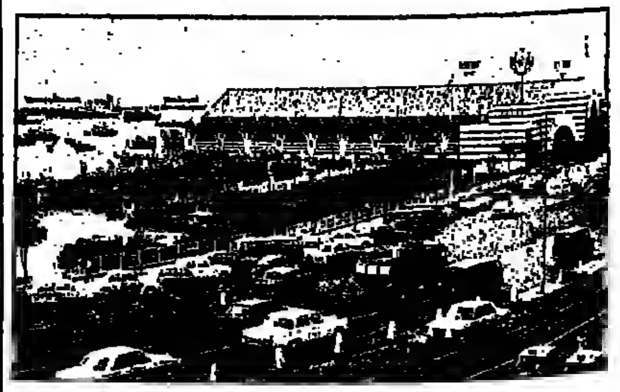
The Housing and Development Board, which has built more than 300,000 flats in the last 20 years, and more than 30,000 a year over the last four years, is heavily subsidised by the Government. This year, each person living in a board flat will effectively get a $45 subsidy from the public purse.

Material shortages, often due to the higher prices paid by the private construction sector, have induced the board to develop its own granite and sand quarries and brick factory. It has also seized the opportunity of a slump in the construction industry to take over a ceramics factory forced into receivership.

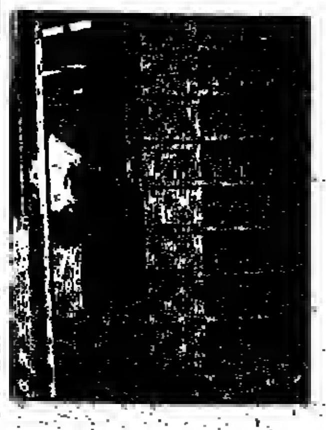
For foreigners intending to live in Singapore, and able to get a permit to do so, housing costs are astronomical. Executive-style apartments are frequently quoted at $125,000.



HDB quarry at Mandai.



Roading is funded by the Central Provident Fund.



Brickworks at Jurong

Westernisation gives Singapore a facelift

STANDING on the steps of Raffles Hotel today, Somerset Maugham would view an unknown city.

Where 50 years ago sampons were packed tighter than sardines along the waterfront, a four-lane highway sweeps toward the new International Airport at Changi where once a prison stood.

Over the rooftops, below which not so long ago families too numerous to count sheltered, modern office blocks and flats soar.

Not even the old hotel, insulated behind its high wrought iron railings, can withstand the onslaught. It too will succumb, as the bulldozers charge next April, pushing down the Victorian edifice that was so long Singapore.

In its place will be built an enormous hotel, office, shopping and recreation complex, the largest private development in the city.

But this is the exception. Most new commercial building in the city is done under the auspices of the Urban Redevelopment Authority set up by the Government in 1974.

It's brief is to plan and oversee the orderly redevelopment of the central area.

Initially, the authority zoned the whole region, picking the worst areas at each end for the redevelopment first.

Resettlement centres giving temporary homes for those moved out and unable to be rehoused by the Housing and Development Board were built first.

Reluctant sellers can appeal against the zoning and price offered, with a final decision made by the appropriate Government minister. But the Government had made it known in the past that individuals cannot be permitted to stand in the way of building a better Singapore.

Most businessmen are offered alternative premises at subsidised rentals for several years. House owners are offered compensation of subsidised accommodation for three years. Squatters get little.

In the commercial heart of the city, the authority concentrates on clearing sites for sale to private developers, a task which would almost certainly be more fragmented and haphazard if left to private enterprise.

Land is also sold to other Government agencies for housing, while the authority maintains overall planning control. It also controls parking in the central area and is aiming to separate traffic from pedestrians through a network of open spaces, parks and walkways.

Development is geared to bringing people back to live in the central city zone, where the number of jobs is growing, and to building a garden city.

The authority designates the purpose of a site, obtains outline planning approval for a building, and suggests the shape and design preferred. Developers are not obliged to conform strictly to the authority's specifications, but changes must be negotiated and approved.

The authority's most ambitious project is Marina City, to be built on three tracts of reclaimed land bordering the central business district.

The three pads, which will accommodate six new hotels, shopping and recreation centres, total 660 hectares, and the last is due to be completed in 1984.

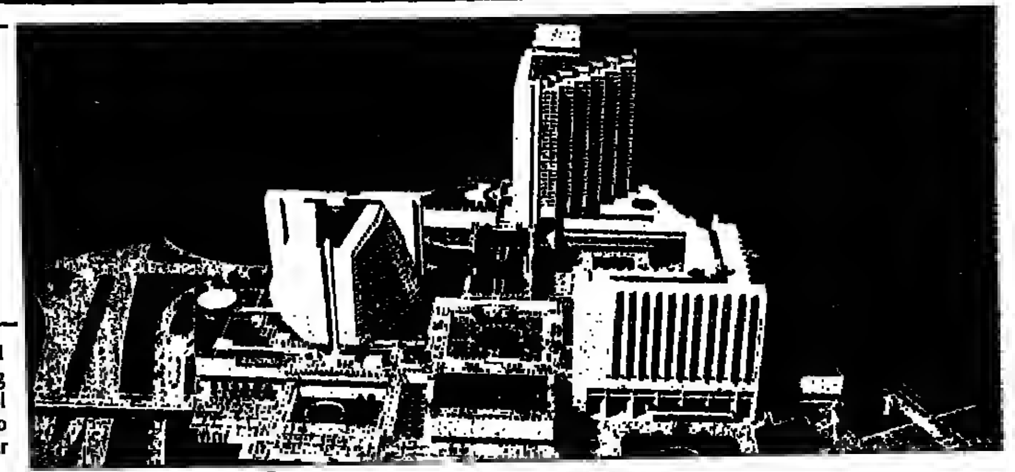
Notices calling for tenders for the first two sites were advertised internationally earlier this year, though bidding consortia had to be registered in Singapore.

When tenders closed, none was found to be acceptable. But the authority has put together three of the tenderers in a consortium to develop both sites with overseas capital.

The authority is also charged with preserving and rehabilitating worthwhile buildings. Several projects have been undertaken to restore old buildings to their former Malaccan-style glory.

But the authority's aim of a clean, modern westernised city is rapidly conflicting with that of the Singapore Tourist Board which wants to maintain the oriental, mystic air of the city which attracts so many tourists.

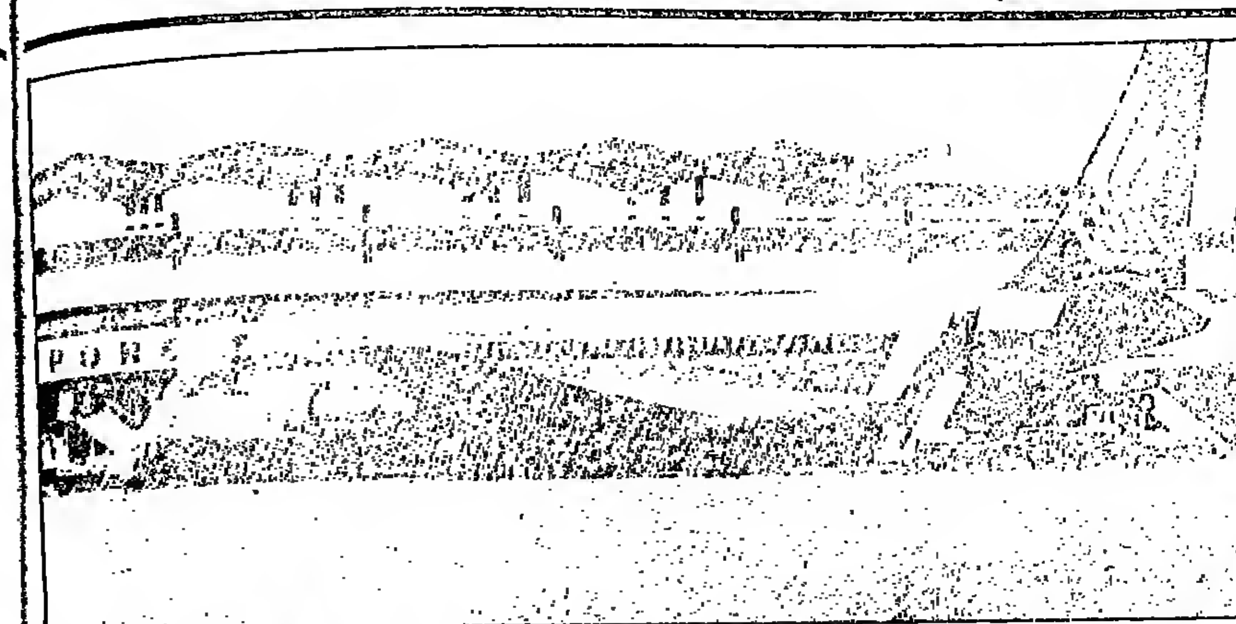
Along the narrow streets of Chinatown, which are crammed with stalls selling snakes, crabs and turtles, together with exotic foodstuffs, the battle will be fought. The authority wants to demolish the most rundown of the three-storey, red-tiled houses to make way for a huge plaza, bordered by the best streets renovated to their former colonial splendour.

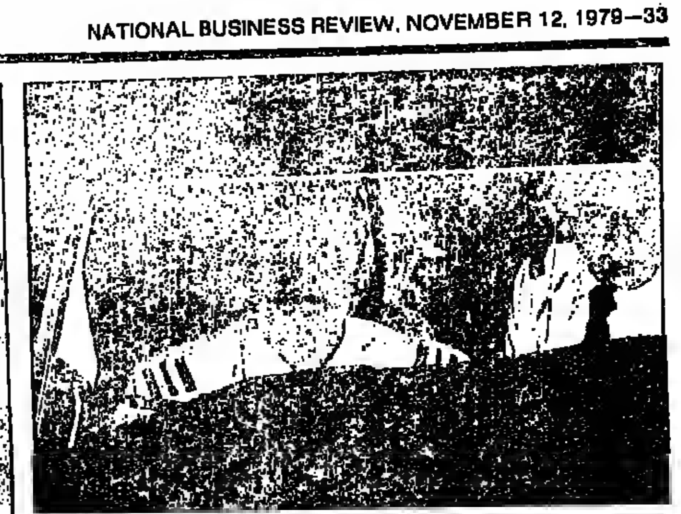


Model of proposed Marina Centre.

High rise flats and Japanese gardens are changing the central city zone.

The crammed streets of Chinatown





SIA flies clear of Qantas flak

AUSTRALIA'S international civil aviation policy left Singapore Airlines bewildered, wondering what it had done to deserve punishment.

The answer? It was too successful.

Australia's international airline Qantas has never been too shy to call Government support to beat off unwanted predators. While the public clamoured for cheaper fares and Sir Freddie Laker fought to bring his Skytrain down under, Qantas and the Government dreamed up ICAP (International Civil Aviation Policy) pretending to give the customers what they wanted while still satisfying Qantas' non competitive demands.

ICAP meant that Qantas and the carrier of the country it was serving would carve up the trade.

Those with most to lose would be carriers like Singapore Airlines and Philippine Airlines, which served the routes from a stopover point. Realising it was about to be out-manoeuvred, Singapore Airlines sidestepped the attack by turning the dispute into an Asean issue.

Standing together, the five airlines of Malaysia, Indonesia, Thailand, Singapore and the Philippines defeated the ICAP policy in principle, though the number of budget seats was severely restricted.

Ironically, the five airlines benefitted immediately from ICAP. Full fare passengers unable to get seats on Qantas or British Airways flights to London because of the demand for cheap seats switched to an Asean line.

ICAP left Singapore Airlines particularly puzzled. If the aim of cheap fares was to increase the market, then, it argued, there is no need to reduce the number of seats made available to competing airlines. In fact, the number should be increased because there were more people wanting to fly.

Early on in the negotiations, the Australians singled out Singapore Airlines for close attention.

While MAS, Philippines Airlines and Garuda were offered increases in capacity and Thai International's was unchanged, the Australians moved to cut SIA's capacity. The Australians also wanted to separate Sydney and Melbourne from a single SIA flight, and insisted on SIA serving Darwin direct, an option it has had since 1967 but never used.

Much of the dispute has now been settled, though hardly amicably. New low-budget fares have been announced between Australia and the Asean capitals, though the number of seats has been limited to 700 a week.

But the fares will fit in much more closely with the Singapore Tourist Board's plans of promoting the republic as a holiday destination.

Nevertheless, the airlines are still restricted to less than a third of the trade between Australia and Europe that they used to carry. The new quotas for Europe are only 2.4 per cent, compared to 8.6 per cent of the traffic carried in 1978.

Such decisions would never have been permitted by an IATA traffic conference, where sixth freedom carriers like Singapore Airlines would have vetoed them.

But the power of IATA was weakened by the United States open-skies policy, a policy that SIA is going to exploit in the 1980s.

Already the airline is designating the 1980s as the decade of America. Three DC10 flights a week to San Francisco launched the attack earlier this year. Already four Boeing 747 jumbos have taken over, and the airline expects to step up frequencies again soon.

Australia is no longer seen as a growth market. From now on, SIA will be content to maintain its image and market share, and no more.

The airline's success story is remarkable. In 1972, it split from MSA, the Malaysian Singapore Airlines, taking three Boeing 707s and five 85-seat Boeing 737s.

Renamed Singapore Airlines, the airline went in search of a distinctive image, refusing to follow the "me too" technically competent, efficient projection by many carriers.

Singapore girl — the orient with a hint of sexiness — was the result.

And the airline has never stopped growing.

From 707s (they carry freight only now) the airline went to Boeing 747s and long-range DC10s.

Earlier this year, SIA stunned the aviation world with the biggest-ever order for new aircraft, a $900 million package for up to 13 Boeing 747s and six smaller Boeing 727s.

After the deafening chorus of "who?", in United States business circles had died down, the experts concluded it was one of the shrewdest moves in the business.

Following in Lufthansa's slipstream, Singapore Airlines is rolling over its fleet, getting the benefits of improved fuel savings before the Boeing production line becomes clogged in the early 1980s.

Two new jumbos are already in service, and six more will be delivered next year, along with a jumbo freighter in 1981 and one more passenger version in 1982.

In addition, the airline has ordered six 246-seat Airbus B4s for regional services, to be delivered from April 1981.

The airline is an essential ingredient in the Singapore economy. It employs one person in 77 and contributes 3.8 per cent of the gross domestic product.

Its critics have put its success down to two factors: cheap labour and what amounts to air piracy, skimming the cream off routes.

But it is Singapore's geographic location which is the key. Once the crossroads of the world's sea lanes, the republic is now an essential stopover on the world's air routes. Thirty-two airlines serve the Lion City, giving Singapore Airlines the reciprocal rights from London to San Francisco.

Qantas in particular has pushed the cheap labour argument, which has promoted a few typically oriental replies. The airline replies that if the argument is true, Air India or Garuda should be the most successful airline in the world.

A Qantas graph showing how much profit it would have made if its staff costs had been as low as SIA's a promoted an SIA staffer to comment that the graph was wrong.

The profits would be zero at SIA's wage rates, because its staff would all be on strike.

Staff strength doubled between 1969 and 1978, but capacity tonne kilometres increased twelvefold.

SIA's flights to Auckland are little more than a flag-waving exercise, though the airline is hoping to introduce a third flight next April.

In the year to March 1979 the airline carried 72,600 passengers on this route, an increase of 21 per cent on the rpevious year. But the most rapid growth has come in freight, over the same time span, freight jumped 81 per cent.

Northbound, the cargo hold is loaded with meat, vegetables and fruit. Southbound comes machinery and a host of miscellaneous lightweight high value products.

Changi airport ready in two years

TRAVELLERS flying into Singapore in 1981 will touch down at a brand-new $750 million airport.

Begun in 1975, on the old British Royal Air Force transport base at Changi, the airport will boast the most modem passenger and cargo facilities in Asia, and will be fully operational by 1984.

Up to 40 million passengers a year will pass through the new terminal, which is served by two runways.

The existing single runway at Payar Lebar is likely to reach saturation paint just as Changi becomes operational.

In a decade, passenger growth has increased nearly six fold, from a million in 1968 to 5.7 million in 1978.

Before the fuel crisis hit, and jumbo jets became the standard airline work horse, planners were forecasting the need for a second runway to handle the rapidly-growing traffic by 1978.

But though passenger growth has been rapid, the number of aircraft landing has approximately doubled in the last 10 years.

Already the handling company for passengers and traffic is in operation at Payar Lebar airport. Since independence, Singapore Air Transport Services (Singapore Airlines' subsidary) has exclusively controlled ground handling contracts.

Pressure from overseas airlines, particularly from America, for an independent operator encouraged the Government to establish Changi International Airport Services, CIAS. Seven airlines hold 25 per cent of the share capital, and the Government the balance.

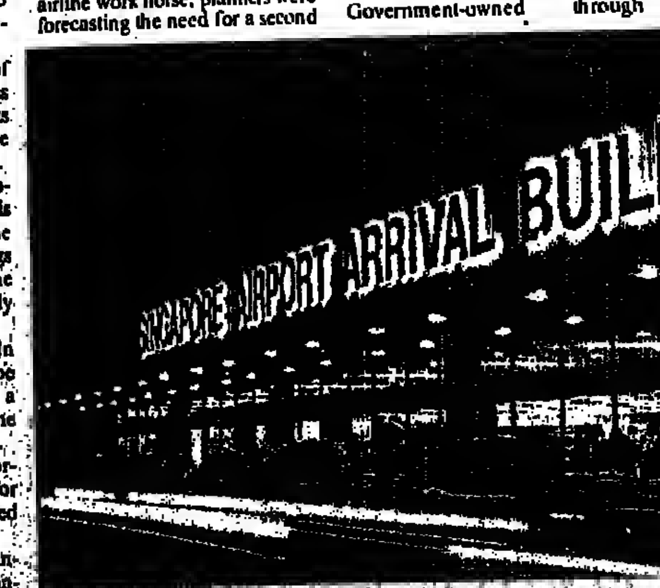
SATS, which is ultimately Government-owned through Singapore Airlines and CIAS, can compete, nominally at least, for the business of overseas carriers.

Passengers will travel to and from the new airport along a four-laned highway being built from the city centre over reclaimed land. The land for the second runway, which will come into use in 1984, has also been reclaimed from the sea.

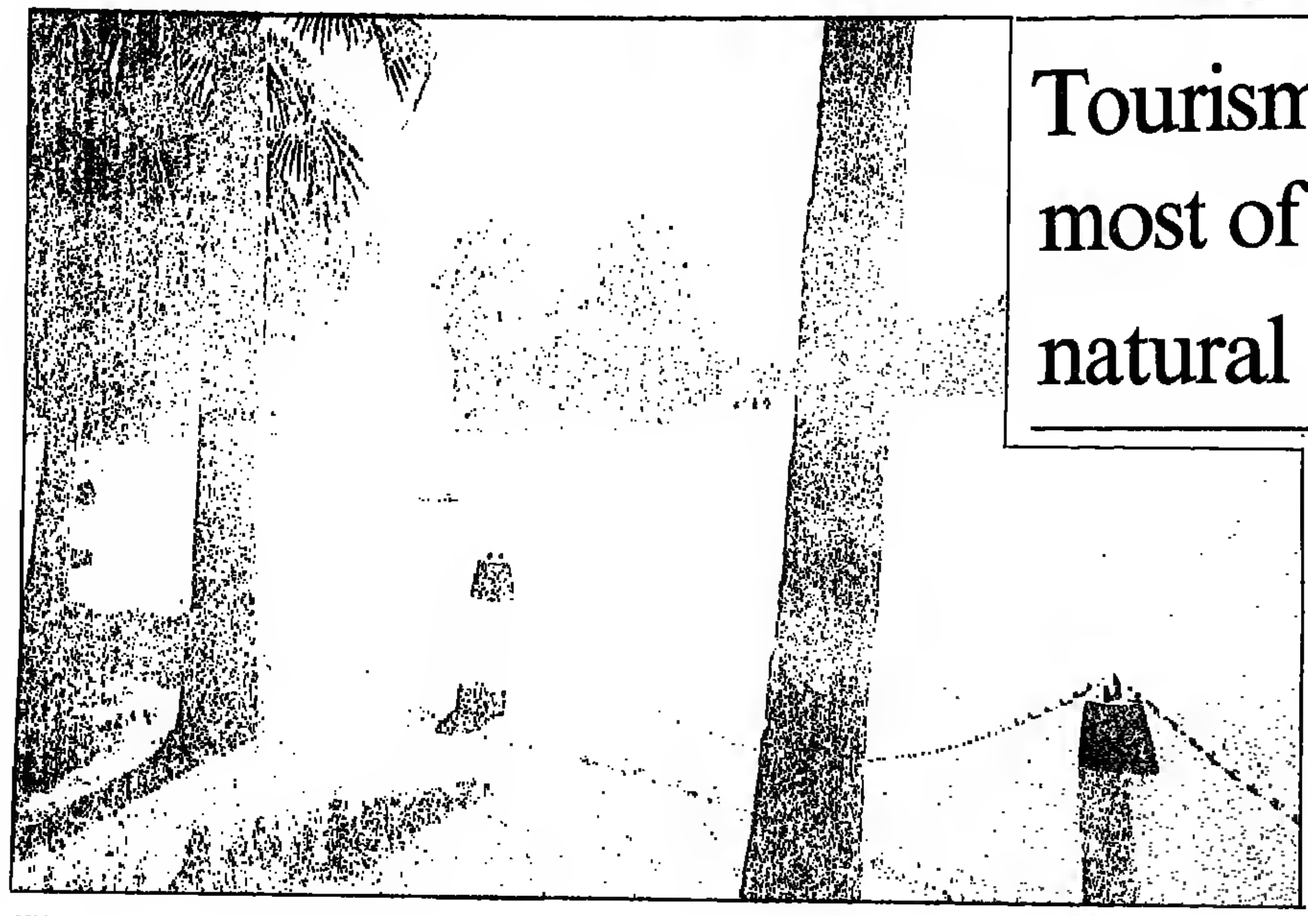
Cargo traffic has been expanding by 25 per cent a year for the last 10 years, a growth rate that is expected to climb to around 30 per cent for the next few years.

A fully merchandised freight terminal, ultimately with a capacity for 570,000 tonnes a year, will be built at Changi.

The airport will also hoast the widest clear, open hangar in the world, capable of servicing three Boeing 747 jumbo jets and several smaller aircraft at any one time.



Existing airport arrival building.



Tourism: making the most of a natural resource

THE tourist, two million of whom holiday in Singapore each year, is an important ingredient in the Singapore economy.

With no natural resources other than its location, Singapore has to import more than it exports. The invisibles – tourism, banking, insurance, shipyard and aircraft servicing – keep the country from sinking into a balance-of-payment crisis.

Tourism accounted for 6.8 per cent of the gross national product in 1978, earning $570 million. Growth is rapid (10 per cent a year) and the target of three million tourists a year is expected to be passed in 1983.

For some time, the Singapore Tourist Board has been promoting the island as a stopover between east and west. But now the emphasis is going to be on promoting the island as a destination attraction.

New airfares from New Zealand to Europe have already extended the Singapore stopover for three to four nights, and budget excursion fares to the island will be available from Australia later this year.

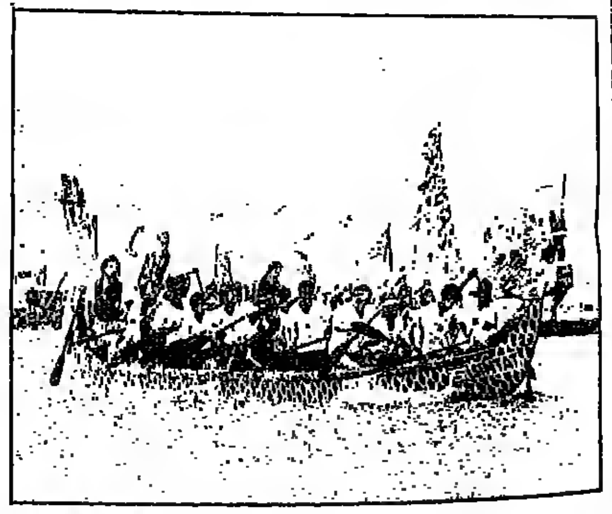
Plans are well advanced for a two-hotel beach resort on Sentosa Island, which is already linked to the mainland by an aerial cable car. And 55 other islands will be promoted for the richer tourist who wants to get away from it all on his "own" small tropical island.

Festivals are another tourist attraction receiving the board's attention. Nothing has yet been dreamed up to compete with Rio's Carnival, but a Dragonboat festival, a moon cake – a Chinese speciality given at a certain time each year – and lantern festivals are attracting tourists.

The festivals are developed carefully, initially for the benefit of the local people so as not to foster antagonism between tourists and residents.

Once established, the festivals are promoted as a tourist attraction.

But hotel accommodation is rapidly becoming a problem on the island. Bookings were so heavy during July and August this year that hotels overbooked by 20 or 30 rooms, hoping that some guests would not arrive.



Dragonboat festival.

Annual occupancy rates are expected to be close to 90 per cent this year.

By early 1980, an extra 3300 hotel rooms are expected to be finished, and by 1985 the total is expected to have climbed to 20,000 from the present 11,800.

Asia still provides the greatest number of visitors to the island; Europe takes second spot; Oceania, including New Zealand's 52,000 third, and America fourth.

With the change in air fare structures and Australia's restrictive International Civil Aviation Policy, the tourist board is not expecting a slower growth in traffic from Oceania.

America is the target area for the 1980s, an area which Singapore Airlines and the tourist board are attacking together. Not that the board relies solely on the national airline for promotion. Packages are being arranged with Pan Am, and closer to home, Cathay Pacific.

The board is also concentrating on west Asia, the Middle East and on the oil-rich states of the Persian Gulf.

East Asians, the Japanese and Taiwanese already go to Singapore in growing numbers, mainly for the cheap shopping.

One per cent of visitors to the republic arrive to attend conventions. Already the statisticians have calculated that convention delegates spend up to 25 per cent more a day than does the average tourist.

Most top-class hotels in the city can offer full conference or convention facilities. The new Raffles complex and Marina Centre will both offer specialist convention centres with attached hotels in the 1980s.

The Convention Bureau was formed in 1974 to help attract quality trade. And this year 35 international trade fairs will be held in the city whereas only three or four took place two years ago.

A flourish of paint marks the inaugural SIA flight of a coveted route.

Asean: presenting a united front

VIETNAM is the Godfather, Australia the ugly sister to South-east Asia's five-nation progeny – Asean.

For 12 years the Association of South East Asian Nations has grown slowly, developing a warm friendship among Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Vietnam's invasion of Kampuchea, which threatened Thailand, added a united political front which succeeded in calling a debate at the United Nations. Communists are seen as a common threat to the five, each with a sizeable proportion of ethnic Chinese among their citizens. Singapore has vowed to be the last of the five to recognise officially the Peking Government, though relations are cordial and trade is growing. Indonesia has yet to exchange diplomats with the Chinese, thus preventing Singapore Airlines from beginning services to Peking, a route it is keen to open.

Australia cut the five's economic teeth. Blundering around like a Friday night drunk, the Australian transport ministry succeeded only in beating Asean into a homogeneous defence of its proposed International Civil Aviation Policy (ICAP).

With a growing tourist industry at risk, the resentment was fierce. Australian attempts to pick the nations off one by one, offering all but Singapore Airlines and Thai International increased capacity, failed to split the five, and ICAP was defeated in principle.

Australian diplomats are still trying to assess the cost of mending the broken fence.

Singapore, which stood to lose the most, neatly sidestepped the first punch, turning the fight into an Asean issue.

After more posturing, Australia then obliged with a second punch – this time at the Philippines, and Asean unity was assured.

The ICAP policy proposed axing the Asean capitals as stopovers for budget travellers on the Kangaroo route to Britain which would be reserved exclusively for British Airways and Qantas.

Travellers wanting to stop over a day or two, particularly in Bangkok or Singapore, en route to Europe, Manila, or to Japan would pay substantially more for the privilege.

It was also proposed that the number of cheap seats sold by Asean carriers would be limited to a fraction of those already provided.

Some of the niggling capacity restraints remain, but as a grudging compromise the Australians have allowed the sale of a limited number of cheap excursion fares to the five Asean capitals.

Neither Air New Zealand nor the Government wished to fall into the same trap when it came to renegotiating fares to Britain.

Negotiations with Singapore produced a four-day stopover package for passengers wishing to buy the higher excursion fare, while budget travellers were restricted to the Los Angeles gateway.

New Zealand's friendship with the five nations stretches back to the Second World War, when troops were stationed in the region.

A military presence was maintained after the Japanese surrender, and aid was given to several nations under the Colombo plan.

The friendship is still bound in treaties and agreements.

New Zealand and Australian prime ministers were invited to attend an Asean heads of state summit meeting in 1977, marking the special esteem with which the two nations are regarded.

The region has already been identified by Overseas Trade Minister Brian Talboys as an important market for exports.

On the doorstep are five of the world's fastest growing economies and, though not rich, they offer tremendous opportunities for New Zealand investment and expertise.

Singapore, at least, is expected to outstrip New Zealand's wealth in terms of gross national product within the next few years.

As yet, the five nations are not yet a European-styled common market. Progress in achieving the original aims of the agreement has been slow. But politically the five are growing closer together, standing united against communism, with consultations from the top down to junior levels on all matters of policy.

Both ministers and civil servants meet frequently for informal discussions on a wide range of topics.

Economic cooperation has been harder to achieve. The five nations produce a range of similar products, and each wants to protect its own. In 12 years, only 2300 items, comprising 5 per cent of the trade among the nations, enjoy a tariff reduction of 10 per cent.

Attempts to rationalise industries have also failed, with national interests being more important than regional.

Full economic union is expected to be at least 20 years away, although by the end of the century substantial tariff cuts on most items are likely to be in force.

Unlike the EEC, the five nations do not enjoy a vast bureaucracy to keep Asean working.

The five are keen to see other trade blocks developing on their borders. Singapore at least supports a full customs union between Australia and New Zealand as long as high tariff barriers are not erected to stop outside competition entering.

As neighbours, the Australian and Asean blocks could have much in common in third regions, specifically in the Pacific. Singapore is keen to develop trading links with the whole Pacific basin, and sees some benefit in working with other nations. A recent Singapore mission to Latin America, including Chile, returned with several good orders, proclaiming that a great potential was there to be tapped.

As a trading block, Asean is already vying for fourth spot with Europe, excluding Britain, in New Zealand's league of major customers.

The SINTESD agreement is beginning to pay off, with licensing agreements and joint ventures combining Kiwi technical expertise with Singaporean marketing ability.

Those firms wanting to invest in South-east Asia may find the choice difficult. Investment incentives abound, as does cheap labour, in all Asean countries except Singapore.

But Singapore's natural geographic advantages, and the fact that it is at the end of Air New Zealand's only flight route to the five, can be better for some.

Firms wanting a South-east Asian base must weigh the disadvantages that Singapore exports suffer when entering Malaysia – primarily a 10 per cent tariff disadvantage. In the long term, Indonesia, by far the largest of the five markets with 130 million people, may offer the best prospect.

New Zealand diplomats in the five capitals jostle to attract investors and exporters to their markets. The High Commission in Singapore is slightly ahead of the field: it produces a monthly newsletter for New Zealand businessmen which contains key facts, details of contracts to be let and marketing opportunities, all spiced with a touch of humour – and all on a non-existent budget.

ASEAN	POPULATION	GNP per capita	GROWTH RATE	INFLATION
INDONESIA	135-140 million		7.0	6.8
MALAYSIA	13,000,000		7.0%	5.0
PHILIPPINES	43,130,000		7.8%	7.7
SINGAPORE	2,300,000	$ 3,550	8.0	4.8
THAILAND	44.3 million	$ 431.8	11.0%	16.4
OTHER SOUTH EAST ASIAN NATIONS				
HONG KONG	4,720,200	$ 7,520	16.0	5.7
SOUTH KOREA	37,000,000	$1,5000	9.5%	16.4

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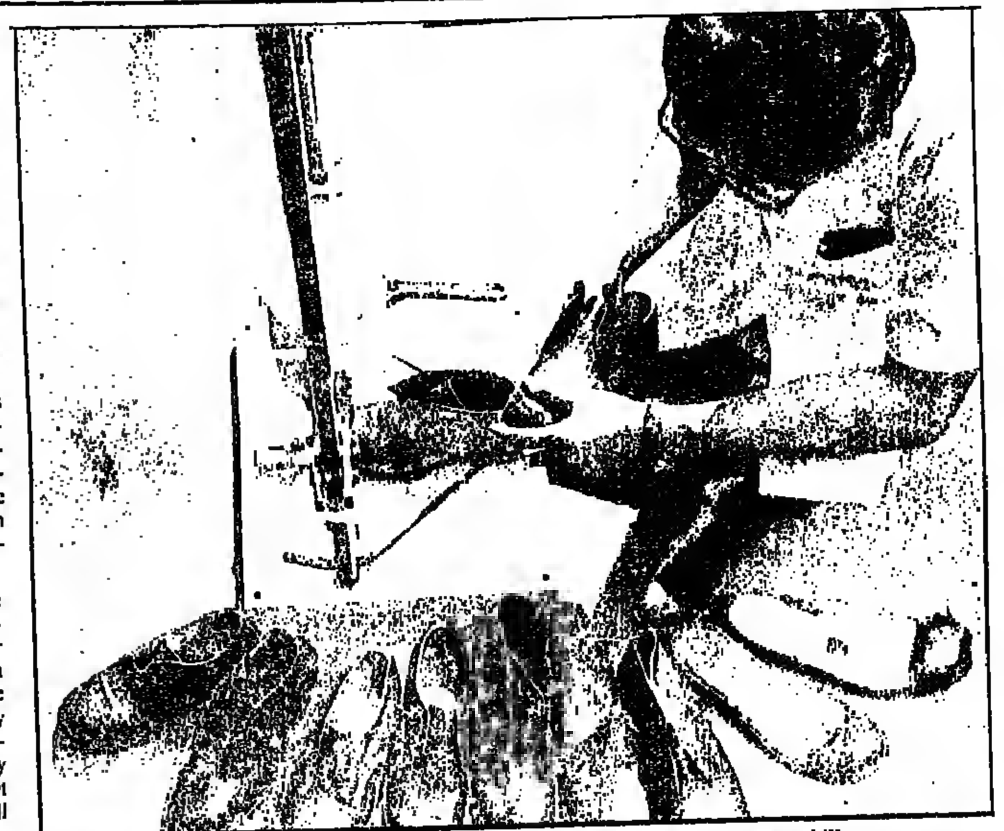


SINTESD paying off, as Kiwi technical expertise combines with Singaporean marketing ability

Malaysia: cashing in on climbing commodity prices

MALAYSIA is rich in natural resources, and the economy is booming as commodity prices climb.

Producing half the world's rubber, two-thirds of its palm oil and slightly more than a third of its tin, Malaysia has been one of the main beneficiaries of the oil-inspired boom in commodity prices.

But Malaysia was not relying on high prices alone when it put its third five-year plan into effect.

For the period 1975-80, the Government planned investment totalling $... billion, of which $12.76 billion would come from overseas.

And on the strength of higher commodity prices, the Government has increased its investment target by $6.43 million.

Malaysia hopes to increase its manufacturing output from 16 per cent of gross domestic product to 20 per cent over the five years. By the mid-term review in 1978, it had already reached 19 per cent. In 1990, manufacturing is expected to be the largest sector in the economy.

Overall, the economy is expected to grow at between 7 and 8 per cent in real terms, while inflation is held to around 5 per cent during the period.

Yet despite the economic wealth, there are diversive social problems. Some commentators are predicting that a racial time-bomb could blow Malaysia's economic successes apart at any moment. The Government is hoping that through economic growth it can restructure society, breaking the link between race and occupation, and at the same time eradicating poverty.

The bumiputra policy aims to bring the Malays out of their rural kampongs into a restructured industrial Malaysia. By 1990, the Malays are expected to own 30 per cent of the equity in private sector investment.

But they are already falling behind target. In 1975 it was expected that the policy would achieve a 9 per cent Malay holding, but the figure reached only 7.8 per cent, and that was attained only after public sector agencies agreed to hold an equity interest in trust for future indigenous shareholders.

The bumiputra policy does not stop with shareholding: it extends to employment and education. But already the pressures are beginning to show among the four million Chinese, six million Malays and one million Indians living on the peninsular.

The number of university places open to the Chinese and the Indians has been severely pruned to increase the number of "bumiputras" with tertiary education. The Government argues that the Chinese must accept some cut back to allow the Malays to catch up.

Chinese parents who want their children to achieve the best possible education argue that places should be allocated on merit.

With home university places blocked, Chinese parents are now looking to universities in Britain, Australia and New Zealand to provide their children with a higher education.

Allowing Malaysian students to study at our six universities can have positive long-term benefits for New Zealand. Graduates familiar with what New Zealand firms can do, and the products they make, are likely to look favourably in this direction when they take up executive and administrative posts at home.

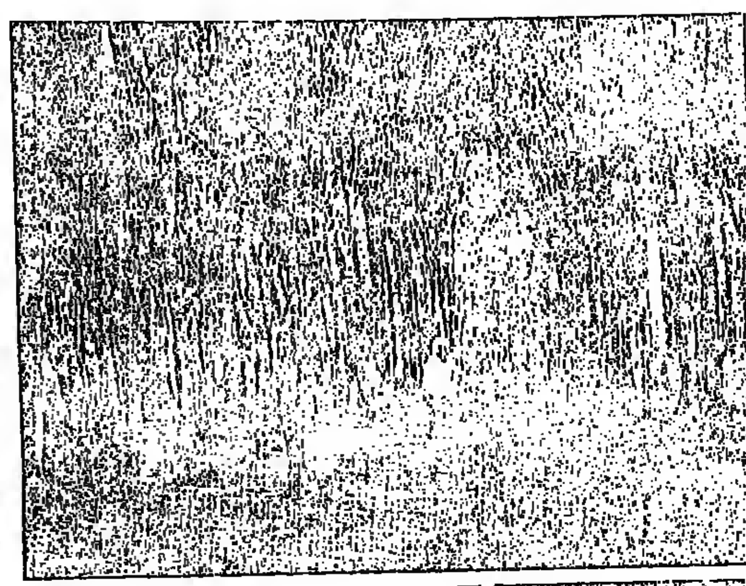
Malaysia favours joint ventures, though regulations can be relaxed when the output is wholly for export. Essentially foreign investors must find a bumiputra partner, and register the company in Malaysia.

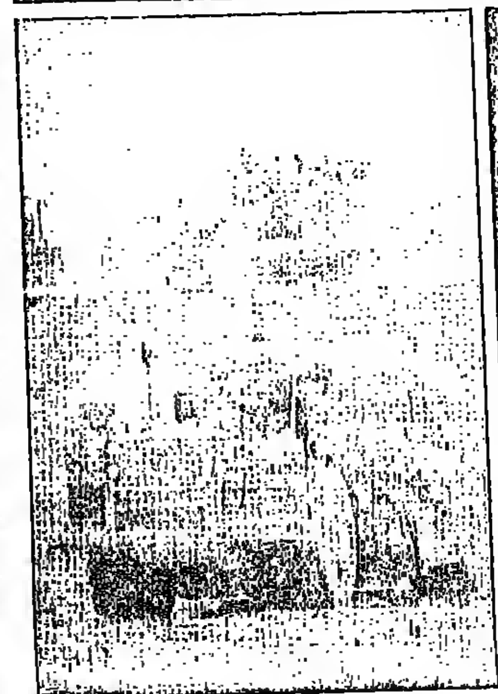
There is a "marriage bureau," the Federal Industrial Development Agency, which matches willing foreign investors with cooperative Malaysian enterprise. Like the Economic Development Board in Singapore, FIDA is developing into a one-stop investment centre, providing the necessary clearances a new investor needs.

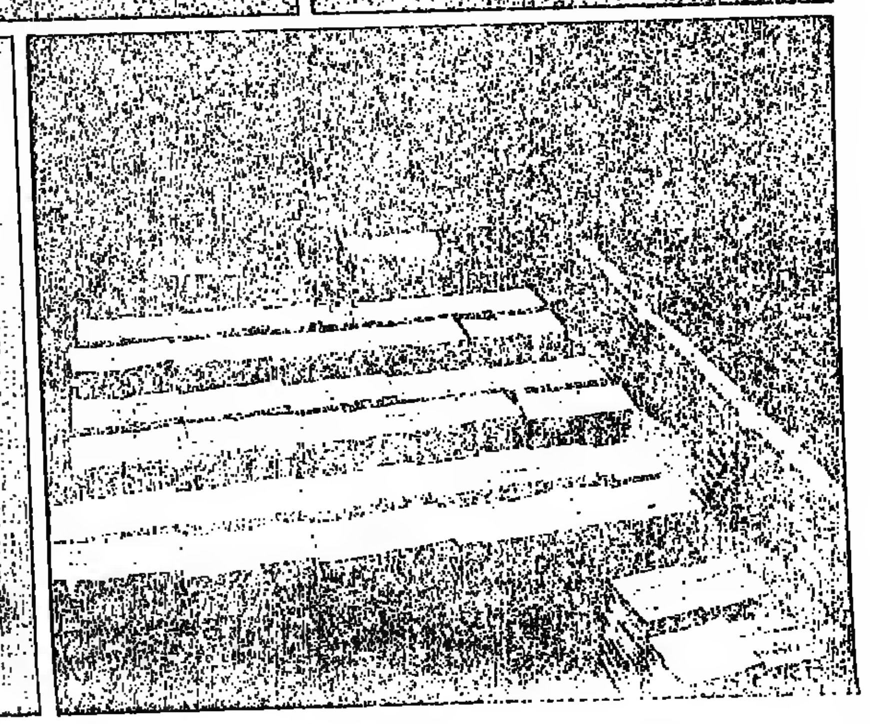
FIDA also offers an investment package, which can add up to a 10-year tax-free holiday.

Malaysia's big advantage over Singapore is its cheap labour, followed closely by its much larger domestic market. Labour costs are less than a thirteenth of those paid in New Zealand for comparable work. Communications and transport are also improving, with the Government giving incentives for materials imported direct through Malaysian ports, rather than transhipped through Singapore.

Several New Zealand firms are taking advantage of the added tariff protection bonus provided by the Malaysians. PDL is manufacturing electrical plugs and other equipment, the Wix Corporation is turning out oil filters and other automotive components, and Hills Hats Ltd and Lockwood Homes have set up branches there. The main disadvantage to further New Zealand interest is the lack of a direct air link between Kuala Lumpur and Auckland.







Malaysia: rich in assets and opportunities

New Zealand's exports to Malaysia have been growing at around 15 per cent for the last three years. Newsprint, dairy products and livestock are the principal items.

Most years, trade runs 2:1 in New Zealand's favour, but a large purchase of oil from Sarawak in the last financial year put the balance $1 million in Malaysia's favour.

But New Zealand's exports are small compared to Australia's. Australian exports total $200 million a year of products similar to those sold by New Zealand.

Oil and natural gas are further strengthening the Malaysian economy, and are now making a significant contribution to the balance-of-payments surplus. The oil was expected to run out in 13 years, but another find has extended the deadline. Another gas field has been discovered and for the first time described as a "significant find".

After a long battle with the Government, the oil companies are once again prospecting in Malaysian waters. For several years all work stopped after the Malaysian Government insisted that the State-owned Petronas took a shareholding.

Shell is now exporting liquid natural gas to Japan from the fields off the Sarawak coast. Before the latest find, reserves were estimated at 1.7 million cubic metres.

Along with tin and oil, there are valuable bauxite deposits in Johore. Copper has been found in economic quantities in Sabah and is being mined by Japanese interests. Low grade iron ore occurs in Pahang and Johore.

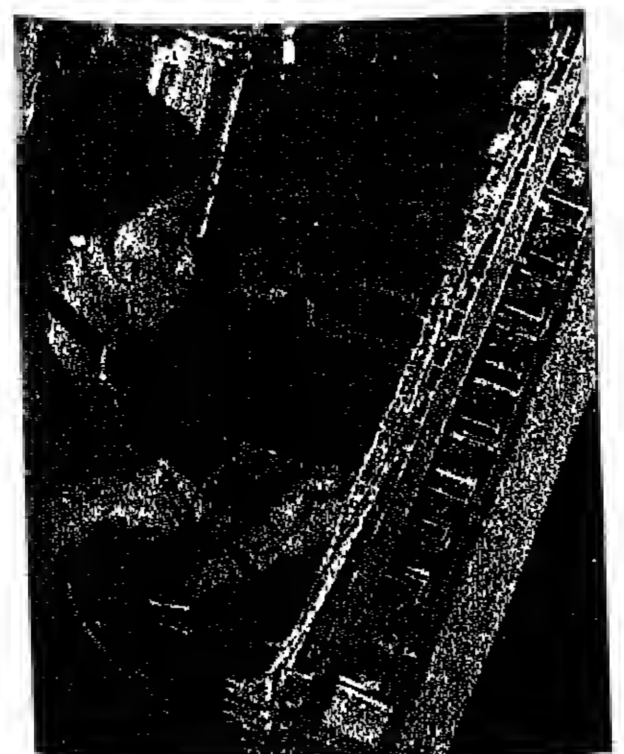
The jungles also make a valuable contribution to the economy with exports of tropical hardwoods. The Government wants the forest-based industries gradually to move from the west coast of the peninsular to the rich forests on the east.

But logging is causing a problem as more than an acre a day is cleared: denuded hillsides are being severely eroded. Less emphasis is being put on forestry development as a result.

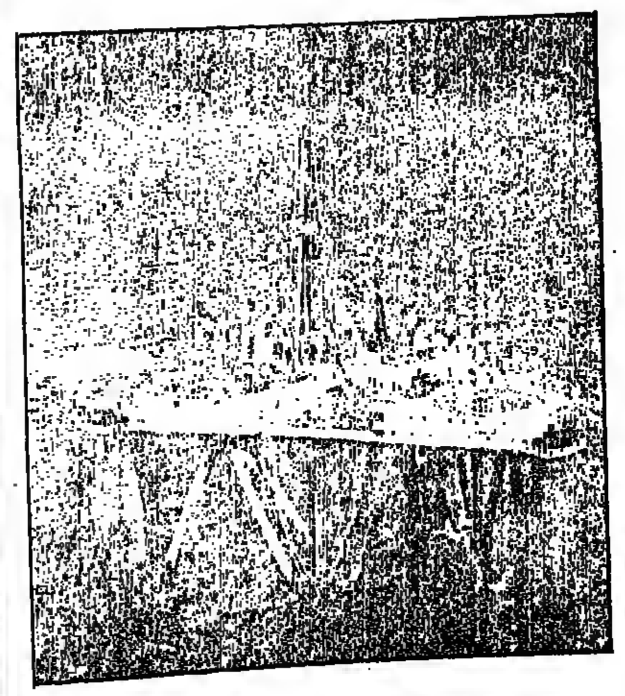
Malaysia is the world's largest producer of pepper, 85 per cent coming from Sarawak. Diversification away from the main cash crops of palm oil and rubber into other crops such as cashew nuts, cocoa, coffee, copra, sugar cane, tapioca, tea and self sufficiency in rice production is taking place now.

A quarter of the public expenditure during the third five-year planning period will go into agriculture.

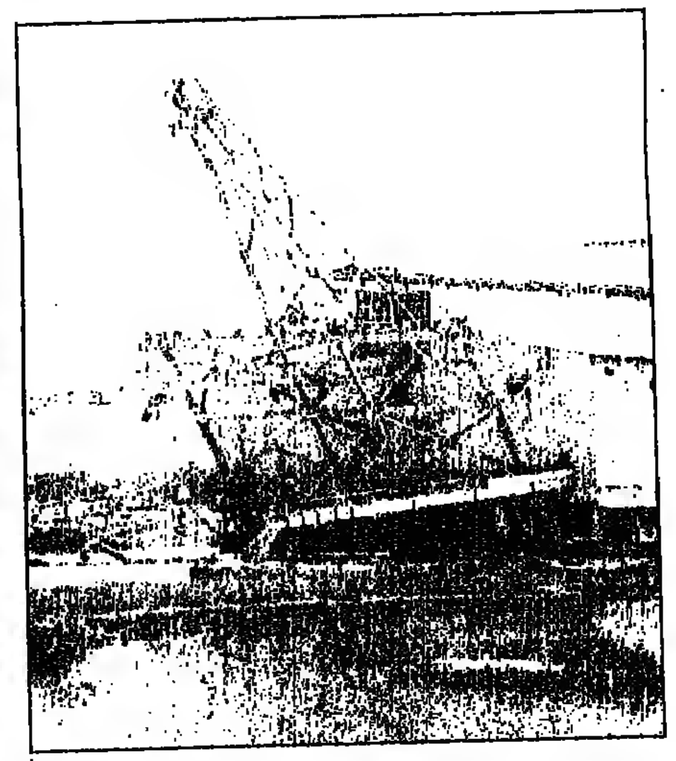
The massive borrowing needed for development will be derived mainly from domestic sources, while the increase in foreign borrowing for public spending will increase the debt service burden to 7 per cent by 1980.



Cheap labour is Malaysia's advantage over Singapore.

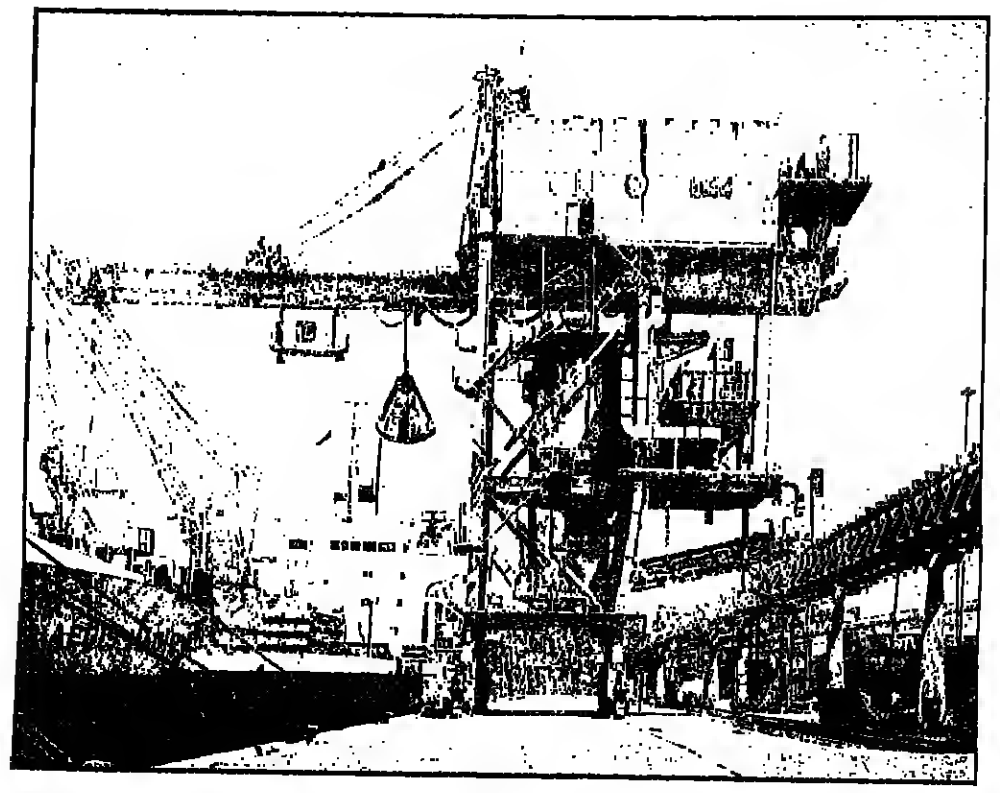


Oil and gas adding strength to an already resource rich nation



Tin dredge in operation.

Cold fruit at core of red-apple market



Up to 200 ships use the port daily.

SELLING apples in Singapore is hot business — but the coldest apples get the best prices.

Apples from Australia, New Zealand, China, America, Europe and Chile all make a short stand on the numerous market stalls during a year.

Already the 270,000 cartons sold by the New Zealand Apple and Pear Marketing Board into Singapore command a premium price, earning $3.25 million a year.

And to maintain its marketing edge, the board is leasing a coolstore, built by the Port of Singapore, to maintain better quality control over its product.

Asia is a red apple market, and has taken readily to the New Zealand red delicious variety. Consumption is high at 12 kilograms a head annually.

Apples are bought by wholesalers soon after arrival in Singapore for storage in their own coolstores. Often the stores hold a wide variety of produce and are entered frequently, thereby making temperature control difficult, and far from ideal for apples.

By leasing a modern coolstore, the board aims to ensure that the fruit is in top condition to justify the higher prices it commands over the competition.

The coolstore is one of the many ventures of the Port of Singapore Authority which administers the principal port on the island, the third largest in the world as measured by shipping tonnage handled.

It is being built in conjunction with a Japanese firm, primarily to encourage the transhipment of reefer cargo — refrigerated — with a capacity of 10,000 tonnes. Completion is due by next April, in time for the New Zealand apple selling season which opens that month, and continues through to the arrival of cheap Chinese fruit in September.

Working round the clock, seven days a week, 365 days a year, the port offers a fast turnaround time on a wide range of ships, from RoRos to conventional freighters.

Containers are handled at the rate of 25 a crane per hour, on average swing a 14-hour turnaround time. Up to 200 ships arrive and leave daily, most anchoring offshore to load and unload from a fleet of barges.

The port makes a healthy profit — $80 million last year — and is currently in the midst of a capital investment programme in its facilities, calling for around $19 million a year.

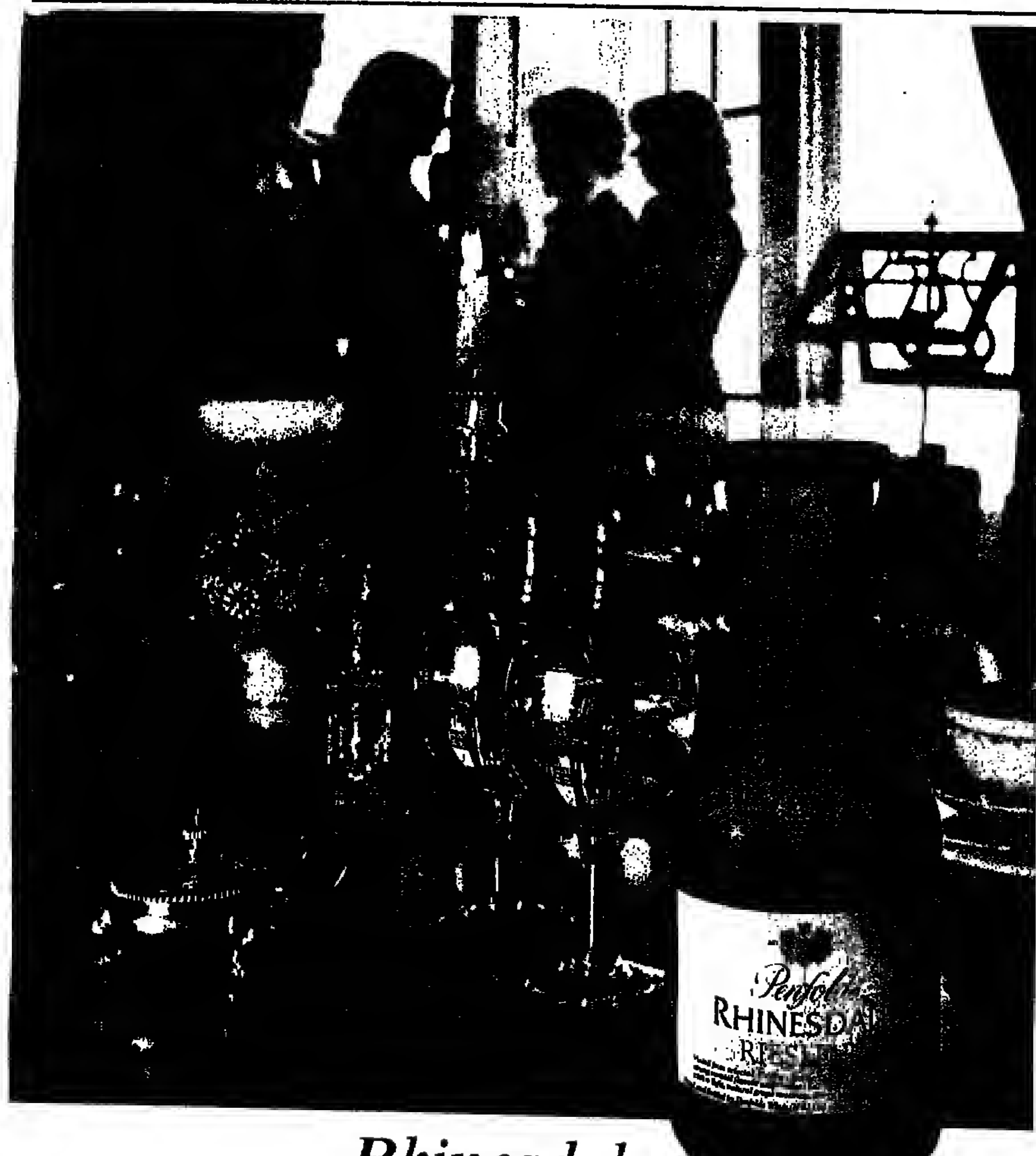
Most of the investment will be in container facilities. But conventional cargo traffic is still growing at around 8 per cent a year and is expected to do so for the next five years at least.

To foster trade and throughput the port offers concessional rates for cargo being transhipped. The port authority allows free storage in its warehouses for 28 days, while ordinary-in bound cargo is stored free for only three days.

The transhipment trade is growing specially for containers from India, Pakistan, Bangladesh and Western Australia.

Most bulk cargoes are handled at Jurong, and a port on the northern coastline has been designated primarily for timber exports.

Outside the authority's control are the wharves for the oil refineries of Shell, Mobil, Esso, BP and the Singapore Refiners Centre.



AHI: Manufacturing for S-E Asian market

THERE are two ways of exporting: selling what a manufacturer makes, or providing what the customer wants.

Alex Harvey Industries is trying the second method in South-east Asia

For six months, Terry Cox, AHI's Corporate Development Manager for the area, has been sizing up potential markets and products.

The effort is not cheap. Reserve Bank approval was needed for the project to be funded from New Zealand and it may be several years before initial costs are recouped.

Cox has essentially looking for products not made in the region, which AHI could make competitively. So far, a small range has been identified. The company's Decramastic tile is one.

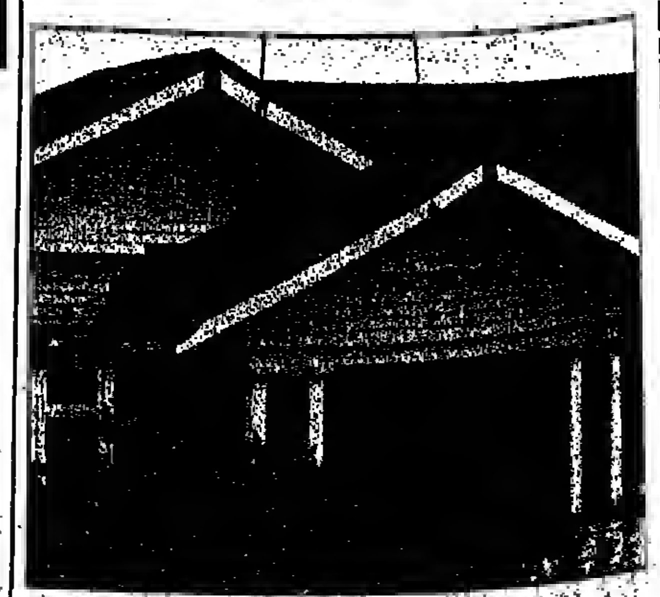
Cox, an experienced market researcher, has spent many hours poring over the development plans of the governments in the region.

Sri Lanka is planning to build 100 homes in the next five years, but most will be low cost and therefore of little interest to AHI. Malaysia also has an ambitious housing programme aiming at 100,000 units a year, which includes a proportion of private development calling for homes with standards similar to New Zealand's, a factor that has already attracted other firms like Lockwood Homes.

Big projects in Singapore, such as the International Airport at Changi, will have a huge demand for a single product such as Laminex. And then there is the Raffles Centre, the Marina Centre, and several other big development projects in the pipeline for the early 1980s. Several New Zealand engineering firms are now enjoying a share of the rapid development.

Joint ventures with local companies will now aim to increase direct exports of products from New Zealand, and to identify new products that can be made in New Zealand.

Beyond that, AHI is looking to possible joint ventures for manufacturing directly in the South-east Asian market.



Roof tiles ... can be made competitively.

Foreign-owned firms outperform on exporting

Melbourne correspondent

FOREIGN-owned companies in Australia on the average outperform locally owned companies, according to a survey conducted by the business research group, Business International.

The survey, spanning the 1957-1973 period, found that foreign-owned companies:

- Increase exports much more rapidly than Australian-owned firms.
- Expand employment faster than Australian-owned companies.
- Outlay more on research and development than locally-owned concerns.
- Pay higher wages and salaries, but are still much more profitable than Australian-owned companies.
- Reinvest a higher proportion of profits.
- Are significantly more productive than Australian-owned companies.
- Finance expansion largely with non-Australian financial resources, while Australian companies rely over-whelmingly on local capital.

Business International says that the coincidence of rising nationalism with increased international investment in recent times has led to world-wide debate over the effects of such investment on host countries.

In 1974 Business International decided to carry out a detailed study of the charges that incoming foreign investment was detrimental to host countries. Three countries were chosen for detailed analysis — France, Mexico, and Australia.

In 1973, the only year in which information on productivity is available, foreign-controlled companies were significantly more productive than Australian corporations.

The foreign-owned affiliates were 29 per cent higher in sales per employee, and 16 per cent higher in value added per employee.

The survey claims that foreign firms were not only more profitable than local firms but also that the difference in favour of the foreign firms had grown much wider by 1973.

This higher profitability was not achieved at the expense of their Australian employees.

In 1973 foreign-owned affiliates paid wages and salaries that were on the average 2 per cent higher than those paid by Australian companies.

An independent survey by the American Chamber of Commerce in Australia reports that many American subsidiaries provide better conditions of employment, superannuation, insurance, medical and managerial bonus schemes, than local firms.

The survey findings refute the charge that foreign investment inhibits export growth. Exports of Australian manufactured goods rose 188 per cent or 232 per cent in the period 1966-1973, depending on how such goods are defined.

In either case, the exports of the foreign-owned sample in the survey climbed much faster — 295 per cent in the same period.

Further, foreign companies generate more jobs for Australians than do Australian companies.

The survey found that United States-owned manufacturing affiliates created new jobs in Australia at a rapid rate, much faster than did other firms in the country.

Between 1957 and 1966, 191,000 new jobs were created in manufacturing industries, 56,000 of them by United States-owned manufacturing affiliates (on the average they staff their operations with only three Americans for every 1000 local employees).

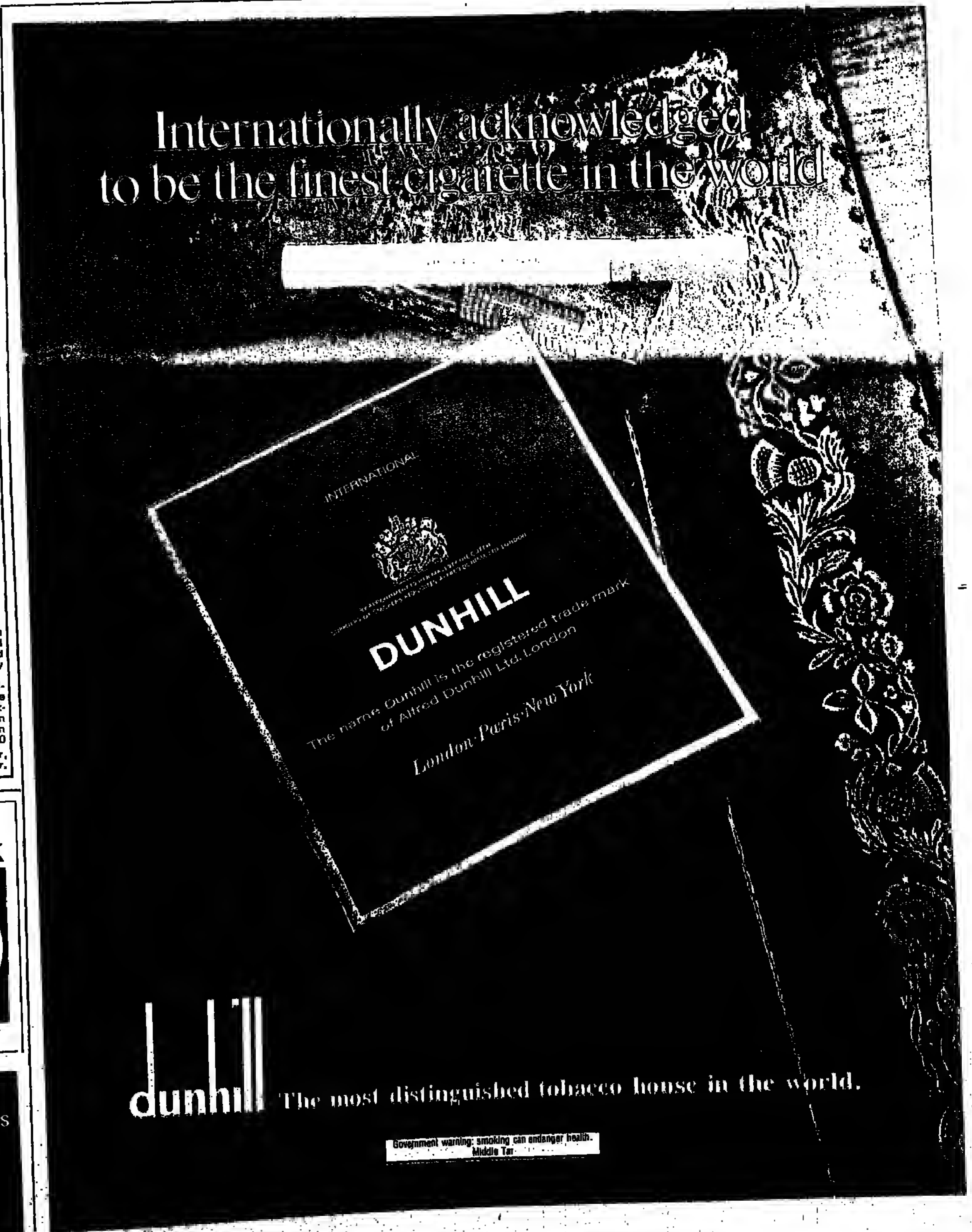
Notable differences are found in the balance sheets of foreign and local companies.

Generally the foreign companies have a higher debt-equity ratio than Australian firms, but these ratios moved closer during the period 1957-1973, with the foreign firms' debt-equity ratio falling, and the Australian firms' ratio rising.

BI reports marked differences in the borrowing accounts of foreign and local business in the period 1966-1973. The borrowings of the foreign sample rose 45.3 per cent, while those of the Australian sample rose 11.7 per cent.

The overwhelming portion of additional capital raised by Australian companies came from local sources, whereas 73.8 per cent of funds of the foreign sample were non-Australian, demonstrating that foreign investment not only brings resources into a country, when an investment is made, but continually adds to those resources.

See Page 3 for details



Myth of economic expertise masks a government policy founded in political reality

by Warren Berryman

POLITICIANS would have us believe the economic rollercoaster we ride to boomtime heights and recession troughs is driven by some mysterious force — a force beyond the economic laity's comprehension and almost beyond the Finance Minister's control.

The track is fraught with perils. But passengers are assured — especially on the up grades — that the politicians retain a sure and omniscent grip on the wheel.

Politicians claim to be able to reduce inflation, and they boldly champion our exporters against foreign protectionists and those who would turn the terms of trade against us.

They must have the tools to effect their claims, because they talk of "fine tuning" the economy, turning consumer spending and industry on and off like a tap.

It's all a myth, of course.

This myth serves the politicians well. It justifies their existence as "economic experts," without whose guidance all would be lost.

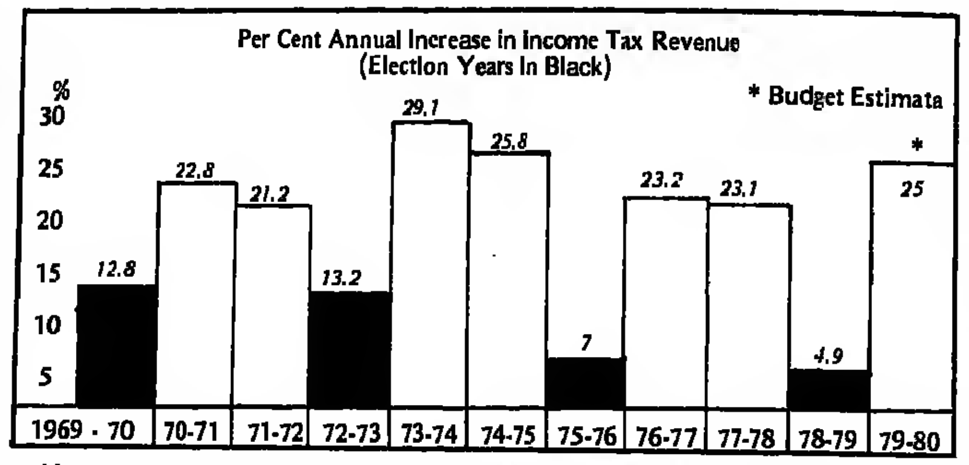
But in reality there is little mystery behind the forces that cause short-term boom and bust.

The forces are political. And the short-term cycle corresponds exactly with our triannual election cycle.

Whether Tweedle-dum or Tweedle-dee is in power, upturns correspond with election-year bribes when politicians (who make and grow nothing) buy the public's votes with the public's money.

Downturns consistently occur in post-election years when politicians, with a new three-year mandate securing their position of power, replenish the electioneering slush fund by screwing down the money supply and taxing everything in sight.

The annual increases in income-tax rates illustrates the point.



No matter which party gains power, the public has financed its trip on to the Treasury benches.

The voting public can then be held at bay for another three years, and the politicians are at liberty to put the fiscal bite on the hand that cast the vote, as is evidenced by the consistent post-election year tax hikes.

This year's budgeted income tax increase is 25 per cent.

But this doesn't mean the Government will be able to milk productive enterprise by anything like 25 per cent more in real terms.

The economy is stagnant. Taxable production, real wages and profits will certainly not increase by 25 per cent.

But inflation is likely to reach 18 per cent or more by tax time in March.

Inflation serves Government well. Inflation pushes even the lower paid worker into a higher tax bracket without increasing his real buying power.

Inflation of 18 per cent might mean that in real terms Government's 25 per cent income tax increase is reduced to a 7 per cent increase. It also means that Government can pay all those election promises in currency debased in value by 18 per cent.

The cost to the income earner of financing the political pork barrel through income tax has increased 659 per cent since the last decade. Total income tax receipts were $691.5 million in 1969.

This year's Budget calls for income tax receipts of $4560 million.

Election bribery, serves politicians admirably, but renders rational economic planning impossible. And the short three years between elections leaves scant time for any rational restructuring of the economy.

Businessmen, and the more astute members of the public, have become too wise to be manipulated like Pavlov's dog with post-election fiscal and monetary fine tuning.

Economic policies designed to be counter-cyclical, because business has learnt to anticipate these policies and acts in anticipation rather than in response to them.

The process works like this: There is a minor economic slide as we approach an election. The businessman knows Government will have to stimulate the economy or lose votes. And knowing this, he waits for the package of incentives, tax write-offs or what not, to arrive before doing anything about increasing production.

While he and other businessmen wait, the minor economic slide turns into a major downturn.

Government's policies, in the past, have been pre-cyclical because they have been anticipated.

To have the desired counter-cyclical effect, Government policies would have to come as a complete surprise. But then Government would appear to be arbitrary and capricious, and this would destroy the climate of rational expectations that make planning and business itself possible.

One way out of this dilemma might be to increase the term of office to five years, providing the country with a longer period of stability between periods of election bribery.

Another might be for Government to refrain from short-term fancy footwork and sell the public on a long-term economic plan where the rules of the game are not changed every other year.

In such a climate of rational expectations, business could take its eyes off the politicians and their vote-catching problems long enough to plan for some long-term growth of their own.

As it is, survival in the marketplace depends on business decisions that are politically rather than market-oriented.

Take, for example, the "Amazing Dr Muldoon."

When elected in 1975 Muldoon introduced a broad range of fiscal measures. The budget deficit was reduced from 9.2 per cent of GNP in 1975-6 to 4 per cent of GNP in 1976-7.

The M1 money supply was screwed down from a 20 per cent annual growth to 6 per cent during the first six months of the 1977 financial year.

Muldoon was elected to get tough with Labour's runaway economy. But tough measures don't win votes.

With the 1978 election looming large on the horizon, the tough Muldoon turned benign and reversed his deflationary policies.

The budget deficit rose to 9.1 percent of GNP in 1978-9. The money supply went from 2 per cent in December 977 to 21 per cent annual increase in January 1979.

And taxation was ostensibly reduced.

According to Keynes, business should have responded to this stimulus by taking on more labour, increasing production, and generating a faster flow of money through the system leading to economic recovery.

But it did not happen — probably because businessmen knew the stimuluys was only an election bribe and would not last beyond the election.

Those who saw the stimulus as only an election bribe were right.

The 1978 election behind him, Muldoon is screwing down the economy again with a tighter monetary policy including a substantial increase in interest rates.

Government stock issues at unprecedented interest rates, engineered to finance the internal deficit internally are pushing up all interest rates — and long with it the cost of doing business.

Through these stock issues, and through the Reserve Bank ratios, Government is taking to itself money that might have financed productive enterprise.

The result: less investment, fewer jobs, a lower level of goods and services available to meet consumer demand.

And, at the same time, high inflation caused in large part by Government measures such as Air New Zealand fare and freight increases, electricity increases, railway increases, increased Post Office charges, reduction in food subsidies, and so on.

With a certain degree of accuracy, some might call it stagflation.

Business has been reasonably good over these past few months. But it doesn't take an economic whizz kid to predict a slide within the next few months now that Muldoon's post-election policies are taking effect — or to predict a package of goodies to halt this slide before next election time.

Muldoon's Government is apparently concerned that its tight measures might lead to a repetition of the 1977 downturn with its attendant decrease in business confidence and increase in unemployment.

Evidence of this concern can be seen in the attempted "fiscal regulator" which would have allowed the Govarnmant to pump money and confidance Into the economy through tax cuts — without consulting Parllament.

Elaction brlbery is not confinad to fiscal and monatary mattars. Import llcensIng and the whola structure of Internal snd external protectlonism flll the politiciana' pork barrel with s wealth of patronage.

There is always the possibility of import favouritism for party hacks and blg contributors to elactloneering campaign funds.

But this is a petty matter compared to the effect the politically motivated' dispensation of import licences, protection, subsidies and licences for licensed industries, have on the economy as a whole.

The OECD, World Bank, Gatt, the Monetary and Economic Council, the IMF, the Planning Council, and others have pointed out the inefficiencies, low productivity, and structural imbalances and misallocation of labour and capital in this economy stemming from our high level of protectionism.

It is not hard to find the casual glue between the fact that New Zealand has the highest levels of protection among the OECD countries and the least market-oriented economy in the developed world, and the fact that we are at the bottom of the OECD's productivity stakes and have real living standards that are descending rapidly to those of the "coolie labour nations" we protect our manufacturers against.

Market forces, the price and profit mechanism, hold little weight in our decision-making.

Government is always there to protect stupid decisions that result in the employment of highly educated New Zealanders in areas where they have no worldwide comparative advantage against "coolie labour", and to protect the established but inefficient industry against the competitive newcomer.

Meanwhile areas in which New Zealand does have a comparative advantage, where we can produce, export and grow, are being starved of labour and capital as well as being bled dry by the tax and customs men to subsidise.

The protectionist and regulatory morass that infects this economy reflects an undying faith in Government interventionism that dates back to the depressinn.

The system is ossified.

Its ossification is perpetuated by the slavish willingness of the so called free enterprise businessmen to play the election bribery game every time he needs protection from the free enterprise forces he claims to support. Which in turn increases the regulatory bureaucracy he claims to hate.

Too many of those talented and expensively educated New Zealanders who would change the system don't — they emigrate instead.

Mechanised maestro: in concert with electronics

by Stephen Bell

"WHETHER we like it or not, our lives are being influenced more and more by the new computer technology. Do we take advantage of this new technology, or do we become its victims?"

It's not clerks or shop employees talking this time. The quote comes from the programme notes to a concert of computer music at Wellington's National Art Gallery.

It was part of a series of concerts, exhibitions and art forms for which no-one has thought up a name yet, but whose general purpose was to demonstrate "New Directions in New Zealand Music".

Computer music — and electronic music in general — is a departure from conventional form, not only in it sound, but in the mode of its presentation.

There is no performer. A concert audience has nothing to look at, apart from a lot of immobile machinery and the back of the composer's head.

Not surprisingly, some of the audience looked a bit lost sitting in regimented rows peering out at where the orchestra ought to be.

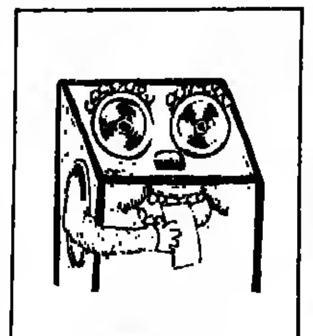
Half-way through the first item, a few decided that the most sensible way to listen was recumbent with eyes closed.

The machines on the platform weren't even interesting computers with flashing lights. The equipment consisted largely of tape-recorders and synthesisers.

There was only one microprocessor, on which members of the audience were later invited to try their hand at composing.

This seemed counterproductive; if composers are serious about being put out of work, it is hardly politic to convey the message "you too can be a composer, without even bothering to learn to play an instrument".

The concert was supposed to be demonstrating ways in which the computer, with its ability to produce an immense range of sounds, extended, rather than inhibited a composer's style.



But computer music still consists mostly of a narrow range of identifiably "electronic" sounds; bleeps, whistles and echoing hisses.

Composer Ross Harris made the obvious rejoinder that more conventional instruments have their limitations.

But one had the feeling that some of the limitations were psychological, rather than physical: knowing that a computer was being used seemed to predispose the composer to producing the kind of sounds which would be at home in a science-fiction film.

The computer does impose severe limitations on the theoretical versatility of the composer, Harris said, because reasonably portable and inexpensive machines, don't have the computational ability.

Harris' piece, "Skymning", had been made possible only with the facilities available at the Stockholm sound studio.

Rather than generating finished sound with the computer, many composers took the easier route of using the machine to generate instructions to electronic synthesiser.

This, it would seem, introduces a composer-performer relationship between the two electronic gadgets. The synthesiser is severely limited in what it can do, and the computer-composer is bound to stay within these limitations.

Analogue synethesisers, we were told, could be temperamental performers, too, producing different sounds according to the weather.

Ian McDonald's and Jack Body's contributions took the logical third route — give the computer's instructions to a human performer. Here was the chance to put someone on the stage; but again, no singer, no pianist, just a reel of tape.

McDonald's piece, "Ten Songs for the Sun and the Earth", was the most warmly received of the concert — perhaps because of the reassuring amount of human content.

The computer was only brought in on the middle of the creative process. The composer defined limits for the music, and within those limits the computer randomly selected notes.

These were further amended by McDonald, English words written, and translated into Maori, and the whole sung against a background of taped synthesiser sound by mezzo soprano Heather McKellar.

One observer remarked that the composer was raiding the computer's memory banks for tune ideas exactly as earlier composers had ransacked the store of folk tunes.

But it was difficult to see why someone should use a Burroughs 6700 for something which could have been done with a pair of dice.

Jack Body's "Superimposition" used something of the same approach, only this time it was the "poor pianist" (his own words), who was faced with the computer "score".

The piece, was based on one chord, the computer being allowed certain departures from that chord and randomly selected note lengths.

Body himself invited the comparison with John Cage who left note lengths in some of his pieces to the discretion of the performer. Effectively, two performers have been introduced, the computer and the pianist, taking us one remove further from the composer's original idea.

But the composer himself benefited from the "feedback" of the computer, Body suggested. It had led him, he said, to his own realisations about the process of composition.

As though a counterfoil to these free-flowing compositions, we were thrown back to a tightly controlled work for the last item. In Brent Carlson's "Symspare", three fixed sounds — a drone, a whistle and a hiss — were subjected to computer-generated variations in volume and quality. The audience sat and listened religiously; but for my personal taste such a limited piece became boring after five minutes and irritating after ten. What happened to the greater flexibility we were promised?

The event proved an interesting insight into the capacities of the computer beyond mathematics and accountancy.

Not only the composers were forced to look hard at the creative process and the lines which could be drawn between the artistic conception, and the mundane process of converting that conception into audible or visible form.

Perhaps after all, there is a lesson for those who think they will be superceded by computers.

Local fishmeal plant takes world lead

by Katherine Findlay

WHEN Gordon Harris looks at the mustard-painted monster which is Harris Packaged Plant Number One, he is looking at a world leader in compactness and efficiency.

He is also looking at years of planning, construction and trials.

Harris, who is managing-director of Harris Steam Limited, a small Auckland engineering company, has put the plant through almost a war of tests as a fishmeal processor and it has emerged with flying colours.

He picks up a bag of the fine curry-coloured powder which is fishmeal . . . a protein supplement to grain-based stock feeds which is in growing demand around the world.

"At present we produce 300 tonnes of fishmeal a year," says Harris.

"Indonesia imports 2000 tonnes each month."

The Harris plant will be competitively priced and already the company has its first order — Talley's Fisheries in Motueka is planning to turn Cook Strait pilchards into fishmeal.

Other orders are likely to follow soon from firms in Timaru and Christchurch.

Mair Industrial Marketing is promoting New Zealand sales and an independent agent is distributing pamphlets and information overseas.

So far the response from overseas has been encouraging and expressions of strong interest have come from the Philippines, Indonesia, Malaysia, Hongkong, Hawaii and South America.

One of Harris' problems during the test period was to find sufficient raw material.

"We got scraps from fish shops and a wee bit from Taybel," he says.

"Then Sanford's imported processor needed an overhaul so we used our plant for a ten-week period and processed 15-20 tonnes a day for them."

The Harris plant comes in two sizes — 30 and 70 tonne, each capable of processing its own weight in raw material over a 24-hour period.

The new packaged plant is the result of Harris' policy of diversifying.

He set up his company 13 years ago to make boilers, but branched out into rendering plants and special-purpose machinery a few years later.

"I didn't want all the company's eggs in one basket in case of an economic downturn," says Harris, who employs 30 people in a factory at Onehunga and a machine-shop in New Lynn.

Three years ago, in conjunction with Mason Andersons in Christchurch, Harris Steam built a fishmeal plant for Sanfords of Tauranga.

The idea of his company going it alone was a natural progression from there, says Harris, — that, coupled with the growth of the fishing industry.

A feature of the Harris plant is that it can be operated either on ship or shore., the first of its kind to be built in New Zealand.

The plant is not only a fishmeal processor.

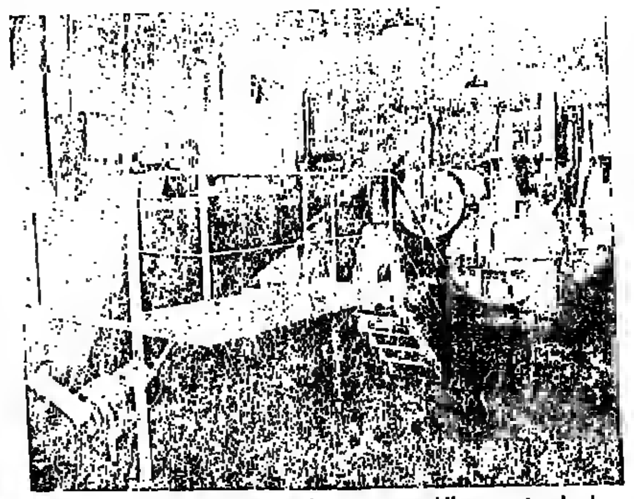
"I prefer to call it a packaged plant," harris says. "It's application could spread to the continuous rendering of meat and bone-meal, and chicken offal."

The company won an Applied Technology grant of $70,000 from the Development Finance Corporation, but Harris reckons final costs of the first plant to be nearly $250,000.

To buy the basic 40-tonne plant will cost around $200,000, which almost doubles with additional units and installation costs.

The 70-tonne model will cost about another third all round.

Harris hasn't considered the possibility of granting licences for manufacture elsewhere in the world and estimates that each plant will take nearly six months to complete.



MUSTARD PAINTED MONSTER . . . providing new standards of productivity.

The basic plant consists of cooker, press, drier, press liquor process equipment, fume extraction system and control panel.

Additional units include a hasher/bin unit, a milling and bagging plant, condensers, and an extraction unit to give a fully integrated fishmeal and oil operation.

These additional units can cope with the output of two basic processors, and in most cases the plant can be worked by one operator.

A complete plant needs 120 square metres of space, which includes room for storage, on ship or shore.

The process, briefly, is that raw material over 200 mm long is placed in a hasher and reduced to a manageable size.

Small raw material and offal is fed directly into the steam cooker.

The cooker coagulates the fish protein and releases oil and water.

The press removes most of this oil and water and the "presscake" which is formed moves into the drier which evaporates any moisture from it.

The dried meal is ground in a hammermill and bagged. Fish oil can be extracted from the press liquid.

"We're quite confident about marketing it," says Harris with a touch of pride.

"It's economically and ecologically sound . . . nothing is wasted."

And he gives the mustard monster a friendly pat

"What consumer item should we be sneering at before we waver, capitulate and finally wonder how we ever managed without it?"